

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 1 – Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying financial statements of the State of Missouri and its component units have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The State has elected to not follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989 for proprietary activities.

The financial statements include the departments, agencies, boards, commissions and other organizational units over which the State has financial accountability. In addition to the Legislative, Executive and Judicial agencies, the following organizations are included in these financial statements:

Primary Government (Blended):

Board of Public Buildings – The Board was created by State law and its governing body is made up of the Governor, the Lieutenant Governor and the Attorney General. Its purpose is to provide State buildings by issuing revenue bonds and to supervise the operations of these facilities. All construction contracts must be approved by the Division of Design and Construction and its projects must be approved by the General Assembly. The Board can require State agencies to occupy its projects. The General Assembly appropriates to the Board, on behalf of the State agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves and pay the costs of operations. Copies of the Board of Public Buildings' financial statements can be requested from:

Office of Administration
Deputy Commissioner's Office
P.O. Box 809
Jefferson City, Missouri 65102

Conservation Employees' Insurance Plan – The Plan provides health and life insurance coverage to eligible employees and retirees of the Missouri Department of Conservation. The Plan is administered by a board of trustees. Copies of the Plan's financial statements can be requested from:

Missouri Department of Conservation
P.O. Box 180
Jefferson City, Missouri 65110

Transportation Self-Insurance Plan – The Plan provides fleet vehicle liability, workers' compensation and general liability. The Plan is administered by the Office of Risk Management, which is a Division of the Missouri Department of Transportation. Copies of the financial statements can be requested from:

Missouri Department of Transportation
P.O. Box 270
105 West Capitol
Jefferson City, Missouri 65102

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Note 1 – Significant Accounting Policies (cont.)

Missouri Consolidated Health Care Plan (MCHCP) – The Plan was created by State law to provide medical benefits to its members and is administered by a board of trustees. The board consists of two members of the Senate, two members of the House, six members appointed by the Governor, the Director of the Department of Health and Human Services, the Director of the Department of Insurance and the Commissioner of Administration. The management of MCHCP is the responsibility of the Executive Director who is appointed by the board. Copies of the Plan's financial statements can be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Court
Jefferson City, Missouri 65110-4355

Highway and Transportation Employees' and Highway Patrol Insurance Plan – The Plan provides health and life insurance coverage to eligible employees, retirees and their dependents of the Missouri Department of Transportation and the Missouri State Highway Patrol. The Plan is administered by a board of trustees. Copies of the Plan's financial statements can be requested from:

Missouri Department of Transportation
P.O. Box 270
105 West Capitol
Jefferson City, Missouri 65102

Missouri State Employees' Retirement System (MOSERS) – The System was created by State law and provides retirement, survivor, disability and life insurance to its members and is administered by a board of trustees. The board consists of two members of the Senate, two members of the House, two members appointed by the Governor, three members elected by the System's members, the State Treasurer and the Commissioner of Administration. The management of MOSERS is the responsibility of the Executive Director who is appointed by the board. Copies of the System's financial statements can be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

Highway and Transportation Employees' and Highway Patrol Retirement System – The System provides retirement, death and disability benefits to qualified employees of the Missouri Highways and Transportation Commission (includes employees of the Department of Transportation), and uniformed and non-uniformed members of the State Highway Patrol. The System is administered by a board of trustees consisting of three members of the Missouri Highways and Transportation Commission, the director of the Missouri Department of Transportation, the superintendent of the State Highway Patrol, one member of the Senate, one member of the House, one member elected by MoDOT employees, one member elected by Patrol employees, and one retired member elected by retirees of the system. Copies of the System's financial statements can be requested from:

Missouri Highway and Transportation Employees'
and Highway Patrol Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

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Note 1 – Significant Accounting Policies (cont.)

Missouri State Public Employees' Deferred Compensation Commission – The Commission consists of one member of the House of Representatives, one member of the Senate and three other members appointed by the Governor with the advice and consent of the Senate. The Commission offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under this Plan, employees are permitted to defer a portion of their current salary until future years. This Plan's fiscal year ends December 31, therefore, financial statements for its reporting period ending December 31, 2002, have been included in this report. In addition, the Commission offers eligible employees the opportunity to participate in the Missouri State Employees' Deferred Compensation Incentive Plan. Under this Plan, the State contributes \$25 per month on behalf of any employee who contributes at least that amount to the Missouri State Public Employees' Deferred Compensation Plan and who has been an employee of the State for at least one year. Copies of financial statements for both Plans can be requested from:

PEBSCO – A Division of Nationwide
Retirement Solutions, Inc.
One Nationwide Plaza, 1-13-G1
Columbus, Ohio 43215-2220

Component Units (Discretely Presented):

Major

Colleges and Universities – The Coordinating Board for Higher Education has certain responsibilities for these institutions and they receive State support. Following are the public colleges and universities included in the financial statements:

Central Missouri State University
213 Administration Building
Warrensburg, Missouri 64093

Northwest Missouri State University
105 Administration Building
800 University Drive
Maryville, Missouri 64468-6001

Harris-Stowe State College
3026 Laclede Avenue
St. Louis, Missouri 63103

Southeast Missouri State University
One University Plaza, Mail Stop 3000
Cape Girardeau, Missouri 63701

Lincoln University
207 Young Hall
Jefferson City, Missouri 65101

Southwest Missouri State University
901 South National, Room 119
Springfield, Missouri 65804

Linn State Technical College
1 Technology Drive
Linn, Missouri 65051

Truman State University
McClain Hall, Room 105
Kirksville, Missouri 63501

Missouri Southern State College
3950 East Newman Road
Joplin, Missouri 64801-1595

University of Missouri System
118 University Hall
Columbia, Missouri 65211

Missouri Western State College
4525 Downs Drive
St. Joseph, Missouri 64507

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Note 1 – Significant Accounting Policies (cont.)

Non-Major

Development Finance Board – The Board was created by State law as an independent, self-supporting, body corporate and politic to promote economic development of the State and is assigned to the Department of Economic Development for governmental classification purposes. The twelve member board is made up of the Lieutenant Governor and the Directors of the Department of Economic Development and the Department of Agriculture, who serve as ex-officio voting members, and nine members appointed by the Governor and confirmed by the Senate. The Board is empowered to issue taxable and tax-exempt industrial revenue bonds or notes; provide loans or loan guarantees to eligible businesses; provide loans and grants to political subdivisions to fund public infrastructure improvements; and issue tax credits against certain State income taxes in exchange for contributions made to the Board. Copies of the Board's financial statements can be requested from:

Missouri Development Finance Board
Harry S Truman State Office Building, Room 680
301 West High Street
Jefferson City, Missouri 65101

Agricultural and Small Business Development Authority – The Authority was created by State law and is authorized to issue bonds to finance agricultural and small business development loans for property acquisitions/renovations and pollution control facilities throughout the State. Its governing body consists of seven members appointed by the Governor with the advice and consent of the Senate. If for any reason, the Authority ceases to exist, all rights and properties of the Authority will pass to the State. Copies of the Authority's financial statements can be requested from:

Missouri Agricultural and Small
Business Development Authority
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Fulton 54 Transportation Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. It is authorized to issue revenue bonds for the purpose of paying all or any part of the cost for the acquisition and construction of an overpass at the intersection of Route HH and U.S. Highway 54. Its governing body consists of a board of directors appointed by the Missouri Highways and Transportation Commission. When the purpose for which the Corporation was formed have been complied with and all obligations of the Corporation have been paid, the board shall, with the approval of the Commission, dissolve the Corporation. Upon dissolution, any assets of the Corporation will be liquidated and deposited in the State Road Fund and will become the property of the Commission. Copies of the Corporation's financial statements can be requested from:

Missouri Department of Transportation
P.O. Box 270
105 West Capitol
Jefferson City, Missouri 65102

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Note 1 – Significant Accounting Policies (cont.)

Missouri Transportation Finance Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Nonprofit Corporation Law. The Corporation is financed by federal highway and transit dollars, plus State and local matching funds. It is authorized to issue revenue bonds. The Corporation provides loans to assist public and private entities fund highway and transportation projects throughout the State. The Missouri Highways and Transportation Commission determines which applicants are extended loans from the Missouri Transportation Finance Corporation. Copies of the Corporation's financial statements can be requested from:

Missouri Department of Transportation
P.O. Box 270
105 West Capitol
Jefferson City, Missouri 65102

Missouri Highway 179 Transportation Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. It is authorized to issue revenue bonds for the purpose of paying all or any part of the cost of paving, grading, constructing, expanding, improving, or financing any facility constituting a "project" under the Missouri Transportation Corporation Act. Its governing body consists of a board of directors appointed by the Missouri Highways and Transportation Commission. When the purpose for which the Corporation was formed have been complied with and all obligations of the Corporation have been paid, the board shall, with the approval of the Commission, dissolve the Corporation. Upon dissolution, any assets of the Corporation will be liquidated and deposited in the State Road Fund and will become the property of the Commission. Copies of the Corporation's financial statements can be requested from:

Missouri Department of Transportation
P.O. Box 270
105 West Capitol
Jefferson City, Missouri 65102

Missouri Highway 63 Transportation Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. The Corporation was formed to facilitate the addition of two lanes to US Highway 63 from Macon, Missouri to Millard, Missouri. The Corporation entered into an agreement with the City of Kirksville for passage of a sales tax to fund the project. The Corporation is governed by a Board of Directors consisting of 15 representatives from cities and counties along the expansion area, who are selected by the Kirksville Chamber of Commerce. When the purpose for which the Corporation was formed have been complied with and all obligations of the Corporation have been paid, the board shall, with the approval of the Commission, dissolve the Corporation. Upon dissolution, any assets of the Corporation will be liquidated and deposited in the State Road Fund and will become property of the Commission. Copies of the Corporation's financial statements can be requested from:

Missouri Department of Transportation
P.O. Box 270
105 West Capitol
Jefferson City, Missouri 65102

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Note 1 – Significant Accounting Policies (cont.)

Springfield, MO State Highway Improvement Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. It is authorized to issue revenue bonds for the purpose of paying all or any part of the cost of paving, grading, constructing, expanding, improving, or financing any facility constituting a "project" under the Missouri Transportation Corporation Act. Its governing body consists of a board of directors appointed by the Missouri Highways and Transportation Commission. When the purpose for which the Corporation was formed have been complied with and all obligations of the Corporation have been paid, the board shall, with the approval of the Commission, dissolve the Corporation. Upon dissolution, any assets of the Corporation will be liquidated and deposited in the State Road Fund and will become the property of the Commission. Copies of the Corporation's financial statements can be requested from:

Missouri Department of Transportation
P.O. Box 270
105 West Capitol
Jefferson City, Missouri 65102

Wentzville Parkway Transportation Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. The Corporation has issued bonds to finance the expansion and reconstruction of the Pearce Boulevard Interchange. Its governing body consists of a board of directors appointed by the Missouri Highways and Transportation Commission. When the purpose for which the Corporation was formed have been complied with and all obligations have been paid, the board shall, with the approval of the Commission, dissolve the Corporation. Upon dissolution, any assets of the Corporation will be liquidated and deposited in the State Road Fund and will become the property of the Commission. Copies of the Corporation's financial statements can be requested from:

Missouri Department of Transportation
P.O. Box 270
105 West Capitol
Jefferson City, Missouri 65102

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its discretely presented component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Governmental activities include governmental type funds and internal service funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services and consist of Enterprise funds.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation. Net assets restricted by enabling legislation are subject to change by a majority vote of the Legislative Assembly.

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Note 1 – Significant Accounting Policies (cont.)

- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Certain indirect costs are included in the direct expenses reported for individual functions. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. For governmental and proprietary funds financial statements, the emphasis is on major individual governmental and enterprise fund categories, with each displayed in a separate column. All remaining governmental and enterprise fund categories are aggregated and reported as non-major funds. Internal service fund categories are also aggregated and reported in a separate column on the proprietary funds financial statements.

C. Basis of Presentation

The State's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein.

The accompanying financial statements are structured into three categories of funds and discretely presented component units:

Primary Government:

Governmental Funds include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the State.

Proprietary Funds include Enterprise Funds and Internal Service Funds. These funds account for the cost of certain services provided by the State, presenting the assets and liabilities associated with the service on the Statement of Changes in Net Assets, and presenting the revenues, expenses and net income on the Statement of Revenues, Expenses, and Changes in Net Assets.

Fiduciary Funds include Pension Trust Funds, Private-Purpose Trust Funds, and Agency Funds. These funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governments and other funds.

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Note 1 – Significant Accounting Policies (cont.)

Discretely Presented Component Units:

Major

College and University Funds account for moneys from federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets and liabilities are accounted for on the Statement of Changes in Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Non-Major

Development Finance Board accounts for moneys from bond proceeds, loans, and contributions to fund economic development projects.

Agricultural and Small Business Development Authority accounts for moneys from bond proceeds, gifts, and grants to make loans for property acquisitions/renovations and pollution control facilities.

Fulton 54 Transportation Corporation accounts for moneys from bond proceeds to pay for projects under the Missouri Transportation Corporation Act.

Missouri Transportation Finance Corporation accounts for moneys from federal, State or local sources and from bond proceeds to be used for projects approved by the Missouri Highways and Transportation Commission.

Missouri Highway 179 Transportation Corporation accounts for moneys from bond proceeds to pay for projects under the Missouri Transportation Corporation Act.

Missouri Highway 63 Transportation Corporation accounts for moneys from sales tax proceeds to pay for projects under the Missouri Transportation Corporation Act.

Springfield, MO State Highway Improvement Corporation accounts for moneys from bond proceeds to pay for projects under the Missouri Transportation Corporation Act.

Wentzville Parkway Transportation Corporation accounts for moneys from bond proceeds to pay for projects under the Missouri Transportation Corporation Act.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements:

The government-wide financial statements are presented using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. Fiduciary Funds have been excluded from the government-wide financial statements because by definition, the resources of these funds cannot be used to support government operations. Generally, interfund transactions have also been eliminated. Some interfund transactions, such as the exchange of services, were not eliminated because doing so would mistakenly understate both expenses of the buyer and revenues of the seller.

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Note 1 – Significant Accounting Policies (cont.)

Fund Financial Statements:

Governmental Funds are presented on a modified accrual basis of accounting and a current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net assets. Material revenues susceptible to accrual include federal grants, income tax and sales tax. Expenditures are recognized when the related fund liability is incurred except for the following:

- Principal and interest on general long-term debt is recorded as an expenditure when due.
- Compensated absences (accumulated vacation and compensatory time) and sick pay are recorded as expenditures when paid.
- Inventories are reported as expenditures when purchased, except for the State Road Fund, which updates inventory perpetually under the consumption method.

Proprietary, Pension Trust, and Private-Purpose Trust Funds are presented on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Agency Funds are presented on the accrual basis of accounting. These funds are custodial in nature and do not present results of operations or have a measurement focus.

Discretely presented component units are presented on the accrual basis of accounting with the following exception in regard to colleges and universities. Revenues and related expenditures in connection with the summer sessions in progress at June 30 are deferred at that date. Component units are accounted for on a flow of economic resources measurement focus.

The State reports the following major funds categories:

General Fund – accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Public Education – provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

State Road – accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system.

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Note 1 – Significant Accounting Policies (cont.)

State Lottery – accounts for proceeds from the sale of lottery tickets and all other moneys credited or transferred to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – accounts for contributions and payments collected under the provisions of the “Unemployment Compensation Law” to pay benefits.

Petroleum Storage Tank Insurance – accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

The State also reports the following non-major fund types:

Governmental – accounts for current financial resources of the government. Governmental Funds include Special Revenue Funds which are established for a specific function, Debt Service Funds which accumulate resources for the payment of long-term debt principal and interest, Capital Projects Funds which accumulate resources for the acquisition of capital assets, and Permanent Funds which are legally restricted.

Proprietary – accounts for operations that are funded through fees or a cost reimbursement basis. Proprietary Funds include Enterprise Funds which sell products and services to external parties and Internal Service Funds which sell products and services to other government agencies.

Fiduciary – accounts for assets held by the State in a trustee or agent capacity. Examples of such assets include Missouri State Employees’ Retirement System, social security contributions, and unclaimed property.

E. Budgets

The State’s annual budget is prepared principally on the cash basis and represents departmental appropriations recommended by the Governor and passed by the General Assembly prior to the beginning of the fiscal year. Appropriations can only be amended through the normal appropriation process which requires approval of the General Assembly and the Governor. Certain estimated original appropriation amounts may be increased as necessary. If supplemental appropriations are required for an appropriation year, they are enacted during the next General Assembly by the same process used for original appropriations. During the year supplemental appropriations of \$275,435,626 were required, 94% for Human Services, 5% for Education, and the remainder for other functions. Estimated appropriations were increased by \$936,014,417.

Budgetary control is maintained at the individual appropriation level since expenditures cannot exceed the appropriation amounts. Also, the Governor has the authority to reduce the allotments of appropriations in any fund if it appears that revenues for the fiscal year will fall below estimated revenues. Unexpended appropriations lapse at the end of each appropriation year. Certain appropriations referred to as “reappropriations” represent the continuation of a prior year’s program or project which requires additional time for completion. Reappropriations to fiscal year 2004 totaled \$659,607,435.

F. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash and all investments with an original maturity of three months or less such as certificates of deposit, money market certificates and repurchase agreements. Cash balances of most State funds are pooled and invested by the State Treasurer.

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Note 1 – Significant Accounting Policies (cont.)

G. Investments

These are long-term investments which are expected to be held to maturity and redeemed at face value. The majority are investments of the Pension Trust Funds and are stated at fair value. The remainder belong to the General, various Special Revenue, Permanent, Enterprise, Internal Service, Private-Purpose Trust, and Agency Funds and are stated at fair value. The Missouri State Public Employees' Deferred Compensation Plan's investments are reported in units of fixed and variable annuities at fair value.

H. Receivables

Receivables include primarily federal revenue amounts, accrued interest on investments and taxes receivable. Receivables are reported net of allowances for uncollectibles of \$912,063,743, where applicable.

I. Interfund Receivables/Payables

The State makes various transactions between funds or between primary government and component units to distribute interest earnings, finance operations, provide services, service debt and for capital outlay. These receivables at June 30 are classified as "due from other funds" or "due from primary government/component units" on the Statement of Net Assets. Payables are classified as "due to other funds" or "due to primary government/component units" on the Statement of Net Assets.

J. Advances to/from Other Funds

Long-term interfund receivables are classified as "advances to other funds" or "advances to primary government/component units" on the Statement of Net Assets. Long-term interfund payables are classified as "advances from other funds" or "advances from primary government/component units" on the Statement of Net Assets.

Long-term interfund payables and receivables of the State Lottery, which are not expected to be paid within a reasonable time period, have been reclassified as transfers on the Statement of Revenues, Expenditures/Expenses, and Changes in Fund Balance/Net Assets.

K. Inventories

Inventories in the Governmental Funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase, except for the State Road Fund, which updates inventory perpetually under the consumption method. Reserves of fund balance have been established for the inventory balances. Inventories in the Proprietary Funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using various methods such as moving average, weighted average and first-in, first-out.

L. Deferred Charges

Deferred charges represent issuance costs on bonds and are amortized over the life of the related issue.

M. Restricted Assets

These moneys are restricted by donors and applicable bond indentures.

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Note 1 – Significant Accounting Policies (cont.)

N. Capital Assets

Capital assets, which include construction in progress, infrastructure in progress, land, land improvements, buildings, equipment, and infrastructure assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement (see *Note 5 and 6*).

Infrastructure assets (including highways, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items) are capitalized. Interest costs incurred during construction of fixed assets are not capitalized.

The capitalization threshold for all fixed assets is as follows: land improvements, \$15,000; buildings and improvements, \$15,000; and equipment, \$1,000. No dollar threshold is set for land or infrastructure.

Capital assets are depreciated using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, equipment – 5 years, and infrastructure 12 to 50 years. Construction in progress, infrastructure in progress, and land are not depreciated.

Most works of art and historical treasures are not capitalized or depreciated. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, and monuments and other art throughout the capital grounds. Assets that were previously capitalized continue to be reported in the government-wide financial statements.

Component Units fixed assets are stated at cost and are depreciated for the full year using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, and equipment – 5 years.

O. Deferred Revenues

Primary Government

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for governmental funds, which use the modified accrual basis of accounting on the fund financial statements. Therefore, such amounts are reported within the governmental fund financial statements as receivables and offset by a deferred revenue account. These amounts include \$493,097,000 within the General Fund, \$29,319,000 within the Major Special Revenue Funds, \$4,892,000 within the State Road Fund, and \$4,815,000 within Non-Major Governmental Funds. Such amounts have been deemed to be measurable but not available. For the State of Missouri, the availability period is 60 days.

Deferred revenues also include amounts collected in advance of the year in which earned. The State has reported as such deferred revenues the amount of \$58,518,000 within the General Fund, \$1,877,000 within Major Special Revenue Funds, \$27,424,000 within the State Road Fund, \$567,000 within the Petroleum Storage Tank Insurance Fund, \$42,000 within the Non-Major Enterprise Funds, and \$18,165,000 within the Internal Service Funds.

Component Units

Deferred revenue amounts collected in advance of the year in which earned are reported in the amount of \$64,276,000 within the College and University Funds and \$11,892,000 within the Non-Major Component Units.

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P. Long-Term Debt

Long-term liabilities that will be financed from Governmental Funds are not reported on the fund financial statements. However, the long-term liabilities are reported on the government-wide financial statements. The reconciliation between fund financial statements and government-wide financial statements includes a line item for governmental funds long-term liabilities. These long-term liabilities include the following:

1. Due to Other Entities includes outstanding principal on advances from other governments and loans from other entities. The expenditures are recorded in the funds when the liability is paid.
2. Outstanding principal for general obligation debt. The expenditure and any related liability for payment of principal and interest for general obligation debt are recorded in the Debt Service Funds when paid (see *Note 13*).
3. Outstanding principal for revenue bonds issued by the Board of Public Buildings, bonds issued by the Health and Educational Facilities Authority, bonds issued by the Regional Convention and Sports Complex Authority, and State Road bonds issued by the Missouri Highways and Transportation Commission. The expenditure and any related liability for payment of principal and interest for these bonds are recorded in the appropriate governmental funds when paid (see *Note 13*).
4. Bond premiums are deferred and amortized over the life of the bonds using the effective interest methods in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums on debt issuances are reported as other financing sources (see *Note 12*).

5. Obligations under lease/purchases reported include the present value of net minimum future lease payments, which will be paid from the General Fund, various Special Revenue funds, the State Road Fund, as well as Enterprise Funds and Internal Service Funds (see *Note 6*).
6. Compensated absences include accumulated unpaid vacation and compensatory time accruals and additional amounts for salary-related payments associated with the payment of vacation and compensatory time. These amounts are not accrued in the Governmental Funds but are recorded as expenditures when paid (see *Note 12*).

Vacation leave is accumulated at a rate of 10 to 14 hours a month depending on the number of years of employment. Accumulated vacation leave cannot exceed the number of vacation hours earned in a two year period. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the State.

The expenditures for all compensated absences are made primarily from the General Fund and Special Revenue Funds.

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7. Claims and judgements include estimates of the risk of loss related to tort liability, general liability, motor vehicle liability, contractor liability, injuries to employees and desegregation. Claims liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Expenditures are recorded in the fund from which the liability is paid. This is included with payables on the combined balance sheet (see *Note 12*).

Long-term liabilities of all Proprietary, Pension Trust, and Private-Purpose Trust Funds are accounted for in the respective funds.

Q. Net Assets/Fund Balance

The difference between fund assets and liabilities is reported as “Net Assets” on the government-wide, proprietary, and fiduciary fund statements, and “Fund Balance” on the governmental fund financial statements. A description of “Restricted Net Assets” is presented in Part B of this note.

On the governmental statements, “reserves” represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Following is a list of reserves used by the State of Missouri and a description of each:

Reserved for Budget Reserve – An account which includes \$463,002,788 in the Budget Reserve Fund used to meet the cash flow requirements and program funding requirements of the State.

Reserved for Inventory – An account used to segregate a portion of fund balance to indicate that inventory does not represent available, spendable resources even though it is a component of assets.

Reserved for Future Distribution – An account used to segregate a portion of fund balance for the specific future use of other entities.

Reserved for Taxes – An account used to segregate a portion of fund balance for taxes received for which payment was made under protest and for bonds filed by license holders for security against default of payment of tax liabilities.

Reserved for Debt Service – An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for Loans Receivable – An account used to segregate portions of fund balance and retained earnings to indicate that the long-term portion of loans receivable does not represent available, spendable resources even though it is a component of assets, or to meet requirements of loan agreements.

Reserved for Trust Principal – An account used to segregate a portion of fund balance to indicate the principal amount of Permanent Funds that is legally restricted for a specific future purpose.

R. Revenues

The revenues of the General Fund include federal grants and contributions of \$6,225,083,000. Revenues for all funds are reported net of refunds of \$1,590,510,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 1 – Significant Accounting Policies (cont.)

S. Interfund Transactions

During the fiscal year the State incurs various transactions between funds, including expenditures and transfers of resources to distribute interest earnings, finance operations, provide services, construct assets and service debt. Interfund transactions basically consist of these two types:

1. Transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to the State are similarly treated when involving other funds of the State. Major transactions that fall into this category include payments to Internal Service Funds from other funds for services rendered and to Agency Funds for contributions for employee benefits.
2. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as transfers (see *Note 17*).

T. Expenditures and Expenses

Expenditures and expenses are reported net of revenue overcollections of \$1,294,586,000 and \$2,553,000, respectively. Expenditures and expenses are reported net of overpayments to vendors, individuals, school districts and for cost reimbursements of \$292,414,000 and \$956,000, respectively.

U. Property Taxes

Presently there is a State property tax of three cents on each hundred dollars assessed valuation on all real estate and personal property. The tax collected is deposited into the Blind Pension Fund.

The property taxes in Missouri are levied by October 31 of each year on assessed valuation as of January 1 of that year. Property taxes are due and payable by December 31 and penalties on unpaid taxes are imposed after that date. Assessed values are established by each county assessor's office and are calculated as a percent of market value except for agricultural land which is calculated on productive capability. The percentage for real property varies according to use: residential at 19%, commercial at 32% and agricultural at 12%. Personal property is assessed according to type with the majority at 33 1/3% of market value.

Note 2 – Reporting Changes and Reclassifications

The Petroleum Storage Tank Insurance Fund is presented as a Major Enterprise Fund for the fiscal year ended June 30, 2003 because it meets the liability criteria of a major fund set out in GASB Statement 34. Specifically, total liabilities of the fund are more than 10% of Total Enterprise Funds, and they are more than 5% of total liabilities for Governmental and Enterprise Funds combined. Last year, this fund was included with Non-Major Enterprise Funds.

The State of Missouri implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) for the fiscal year ended June 30, 2003:

- Statement No. 38, *Certain Financial Statement Note Disclosures*, (paragraph 12 "Short-Term Debt" and paragraph 13 "Disaggregation of Receivable and Payable Balances"). The rest of GASB Statement No. 38 was implemented for the fiscal year ended June 30, 2002.
- Technical Bulletin No. 94-1, *Disclosures about Derivatives and Similar Debt and Investment Transactions*. The Missouri State Employees' Retirement System (MOSERS) (see *Note 3*) and the Missouri Development Finance Board (see *Note 13*) were the only State entities which had derivatives for the fiscal year ended June 30, 2003.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 2 – Reporting Changes and Reclassifications (cont.)

GASB Statement No. 41, *Budgetary Comparison Schedules–Perspective Differences*, does not apply to the State of Missouri. This statement only applies to governments with significant budgetary perspective differences that prevent them from presenting budgetary comparison information for their general funds and major special revenue funds, as required by GASB Statement 34. The State of Missouri presents this schedule in the Required Supplementary Information (RSI) section of CAFR.

Note 3 – Deposits, Investments and Securities Lending Program

The State Treasurer maintains a cash and short-term investment pool that is used by substantially all State funds. These funds do not include accrued interest. Certain organizational units are authorized to administer assets designated to their organization in a manner similar to the deposit and investment activities of the State as a whole. Summarized below is the portfolio that represents the "Cash and Cash Equivalents", "Investments", "Restricted Assets – Cash and Cash Equivalents", "Restricted Assets – Investment" and "Bank Overdraft" as reported at June 30, 2003.

A. Deposits

Primary Government

At June 30, 2003, the reported amount of the primary government's deposits was \$877,971,000 and the bank balance was \$906,623,000. Of the bank amount, \$886,707,000 was insured or collateralized with securities held by the State or its agent in the State's name, \$19,916,000 was collateralized with securities held by the counterparty's trust department or agent in the State's name.

Fiduciary

At June 30, 2003, the reported amount of the deposits of the Fiduciary Funds was \$362,710,000 and the bank balance was \$362,710,000. All of the bank amount was insured or collateralized with securities held by the entity or its agent in the entity's name.

Component Units

At June 30, 2003, the reported amount of the deposits of the Component Units was \$439,972,000 and the bank balance was \$446,931,000. Of the bank amount, \$91,758,000 was insured or collateralized with securities held by the Component Units or its agent in the Component Units' name, \$174,427,000 was collateralized with securities held by the counterparty's trust department or agent in the Component Units' name, and \$180,746,000 was uninsured and uncollateralized with securities held by the counterparty, trust department or agent not in the Component Units' name.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years or in repurchase agreements maturing within ninety days secured by U.S. Treasury or Agency securities of any maturity. The Internal Service Funds, the Agency and Pension Trust Funds, and the Component Units, in accordance with statutory authority, invest primarily in U.S. Government securities, repurchase agreements, preferred and common stocks, bonds, real estate, and fixed income securities. There have been no violations of these investment restrictions during fiscal year 2003.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 3 – Deposits, Investments and Securities Lending Program (cont.)

The following table (in thousands of dollars) provides information about the credit risks associated with the State's investments. The investments include certain short-term cash equivalents, various long-term items, and restricted assets. Category 1 includes investments that are insured or registered, or for which securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments, for which securities are held by the counterparty or by its trust department or agent but not in the State's name. The State's ratings for these investments from Fitch IBCA, Incorporated and Standard and Poor's is rating group AAA and from Moody's Investors Services is rating group Aaa.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
All Fund Types except Fiduciary Funds and Component Units:					
U.S. Government Securities	\$ 1,879,826	\$ ---	\$ ---	\$ 1,879,826	\$ 1,806,002
Repurchase Agreements	<u>400,234</u>	<u>---</u>	<u>---</u>	<u>400,234</u>	<u>400,234</u>
Subtotal	<u>2,280,060</u>	<u>---</u>	<u>---</u>	<u>2,280,060</u>	<u>2,206,236</u>
Fiduciary Funds:					
U.S. Government Securities	196,053	---	200,317	396,370	396,370
Repurchase Agreements	245,418	---	---	245,418	245,418
Stocks	1,093,850	---	754,925	1,848,775	1,848,801
Bonds	272,382	---	86,738	359,120	359,120
International Equities	757,243	---	---	757,243	757,243
International Corp. Bonds	24,566	---	---	24,566	24,566
Short-Term Securities	---	---	27,640	27,640	27,640
Debentures	<u>---</u>	<u>---</u>	<u>130,630</u>	<u>130,630</u>	<u>130,630</u>
Subtotal	<u>2,589,512</u>	<u>---</u>	<u>1,200,250</u>	<u>3,789,762</u>	<u>3,789,788</u>
Investments Not Subject to Categorization:					
Real Estate				250,722	250,722
Investments Made With Another Party				1,219,989	1,219,989
Deferred Compensation				855,143	855,143
Foreign Securities				30,943	30,943
EAFE Index Fund				198,123	198,123
Venture Capital Limited Partnership				<u>992,007</u>	<u>992,007</u>
Subtotal				<u>7,336,689</u>	<u>7,336,715</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 3 – Deposits, Investments and Securities Lending Program (cont.)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Component Units:					
U.S. Government Securities	515,118	100,396	12,185	627,699	627,779
Repurchase Agreements	---	15,146	---	15,146	15,146
Stocks	346,104	---	---	346,104	346,104
Bonds	203,219	---	---	203,219	203,219
Other	---	1,223	---	1,223	1,223
	<u>1,064,441</u>	<u>116,765</u>	<u>12,185</u>	<u>1,193,391</u>	<u>1,193,471</u>
Subtotal					
Investments Not Subject to Categorization:					
Money Market				8,219	8,219
Real Estate				57,945	57,945
Mutual Funds				4,259	4,245
Securities Lending					
Collateral				44,148	44,148
Other				37,896	37,896
				<u>1,345,858</u>	<u>1,345,924</u>
Subtotal					
Total Investments Subject to Categorization	<u>\$ 5,934,013</u>	<u>\$ 116,765</u>	<u>\$ 1,212,435</u>		
Total Investments				<u>\$ 10,962,607</u>	<u>\$ 10,888,875</u>

C. Securities Lending Program

State Treasurer's Office:

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5 RSMo. The program is administered by U.S. Bank as the State Treasurer's custodial agent bank, which lends certain securities to registered broker-dealers as approved by the State Treasurer's Office in exchange for collateral. At least 75% of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days. Collateral may be in the form of cash, securities issued or guaranteed by the United States Government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102% of the then market value of the loaned securities and accrued interest, if any. The Custodian (U.S. Bank) provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 3 – Deposits, Investments and Securities Lending Program (cont.)

Missouri State Employees' Retirement System:

The Missouri State Employees' Retirement System's (MOSERS) Board of Trustees' policies permits the Pension Trust Funds to participate in securities lending programs. Lehman Brothers, who acts as the exclusive borrower of the domestic equity securities and Credit Suisse/First Boston, who manages the lending of fixed income and international securities, manage the programs. Certain securities of the Pension Trust Funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% for domestic loans and 105% for international loans. In order to reduce credit risk in this exclusive agreement, MOSERS has placed a cap of \$250 million on the amount of securities that can be on loan at any given time. The Custodian (Bankers Trust Company) provides for full indemnification to the Pension Trust Funds for any losses that might occur in the program due to broker default, insufficiency of collateral, or operations risk associated with corporate actions and income collection. Full indemnification and daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk.

The majority of the security loans are open loans and can be terminated on demand by either MOSERS or the borrower. Cash collateral is invested in short-term investment funds. The cash collateral investments of the Lehman Brothers and Credit Suisse program each had a weighted average maturity of 30 days as of June 30, 2003.

Investment income derived from the domestic loans and international equity lending programs are subject to minimum guarantees.

Missouri Highway and Transportation Employees' and Highway Patrol Retirement System:

In accordance with the policies set by the Board of Trustees, the Missouri Highway and Transportation Employees' and Highway Patrol Retirement System (the System), lends its securities to broker-dealers and banks pursuant to a form of loan agreement. The System's custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the System lent securities and received cash, securities insured or guaranteed by the U.S. government or its agencies, and irrevocable bank letters of credit as collateral. The System did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in dollars or whose primary trading market was located in the United States, 102% of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The System did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the year.

The System and borrowers maintained the right to terminate all securities lending transactions on demand. The collateral held and the market value of securities on loan for the System were unavailable as of the System's report date.

At June 30, 2003 and 2002, the System earned \$129,258 and \$98,402, respectively, on the securities lending program.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 3 – Deposits, Investments and Securities Lending Program (cont.)

University of Missouri System:

The University participates in a securities lending program to augment income. The program is administered by the University's custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. government securities, defined letters of credit or other collateral approved by the University. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. The University has minimized its exposure to credit risk from borrower default by having the custodial agent bank determine daily that required collateral meets 100% of the market value of securities on loan for domestic securities lent and 105% for international securities lent. The University continues to receive interest and dividends during the loan period as well as a fee from the borrower. At June 30, 2003, the University has no credit risk exposure since the collateral held exceeds the value of the securities lent. The University is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

In addition, at June 30, 2003, letters of credit and security collateral, not meeting the criteria for inclusion on the Combined Statement of Net Assets, totaled \$12,685,000. At June 30, 2003, the aggregate fair value of the securities lent was \$128,487,000 and the aggregate fair value of the collateral received was \$134,043,000.

D. Derivatives

Missouri State Employees' Retirement System (MOSERS), through its external investment managers, has an investment policy which holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. MOSERS does not anticipate additional significant market risk from the swap arrangements. The forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities. MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS anticipates that the counterparties will be able to satisfy their obligation as credit evaluations and credit limits are monitored by the investment managers. MOSERS also invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk.

The following table (in thousands of dollars) summaries the various contracts in MOSERS portfolio as of June 30, 2003. The investments are reported at fair value and are included on the Statement of Plan Net Assets of the Pension Trust Funds.

Futures Contracts:

<u>National Amount</u>	<u>Exposure</u>
\$2,324,474	\$2,342

Currency Forwards:

<u>Book Value</u>	<u>Fair Value</u>	<u>Gain/(Loss)</u>
\$4,048	\$4,073	\$25

Swaps:

<u>National Amount</u>	<u>Exposure</u>
\$98,216	\$9,148

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 4 – Federal Surplus Commodities Inventory

The federal surplus commodities inventory for the Department of Social Services and the Department of Health and Senior Services were \$190,947 and \$5,138,173, respectively, as of June 30, 2003. This inventory is not considered to be an asset of the State and is not included in the financial statements.

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows (in thousands of dollars):

	Balance July 1, 2002	Increases	Decreases	Adjustments and Reclassifications	Balance June 30, 2003
Governmental Activities:					
Capital Assets not being Depreciated:					
Construction in Progress	\$ 637,165	\$ 200,201	\$ (131,962)	\$ (18,915)	\$ 686,489
Infrastructure in Progress	2,287,153	941,438	(650,566)	(14,082)	2,563,943
Land	2,258,148	980	(2,365)	79,911	2,336,674
Total Capital Assets not being Depreciated	5,182,466	1,142,619	(784,893)	46,914	5,587,106
Capital Assets being Depreciated:					
Land Improvements	76,331	5,280	(377)	(4,357)	76,877
Buildings and Improvements	1,854,503	7,633	(5,339)	8,470	1,865,267
Equipment	1,136,212	90,741	(109,581)	(8,648)	1,108,724
Infrastructure	36,046,230	650,566	(46,767)	(11,911)	36,638,118
Total Capital Assets being Depreciated.....	39,113,276	754,220	(162,064)	(16,446)	39,688,986
Less Accumulated Depreciation for:					
Land Improvements	41,141	9,226	(301)	(4,997)	45,069
Buildings and Improvements	653,299	3,312	(2,866)	(122,680)	531,065
Equipment	721,241	123,749	(86,846)	(94,058)	664,086
Infrastructure	16,172,486	877,342	(46,767)	(947)	17,002,114
Total Accumulated Depreciation	17,588,167	1,013,629	(136,780)	(222,682)	18,242,334
Total Capital Assets being Depreciated, Net	21,525,109	(259,409)	(25,284)	206,236	21,446,652
Governmental Activities Capital Assets, Net	\$ 26,707,575	\$ 883,210	\$ (810,177)	\$ 253,150	\$ 27,033,758
Business-Type Activities:					
Capital Assets not being Depreciated:					
Construction in Progress	\$ 2,737	\$ 1,400	\$ (1,627)	\$ 80	\$ 2,590
Land	9,572	467	---	524	10,563
Total Capital Assets not being Depreciated	12,309	1,867	(1,627)	604	13,153
Capital Assets being Depreciated:					
Land Improvements	3,397	4	---	4	3,405
Buildings and Improvements	15,800	112	---	87	15,999
Equipment	42,268	4,393	(829)	(1,188)	44,644
Total Capital Assets being Depreciated.....	61,465	4,509	(829)	(1,097)	64,048
Less Accumulated Depreciation for:					
Land Improvements	2,420	---	---	133	2,553
Buildings and Improvements	6,728	226	---	125	7,079
Equipment	29,116	5,007	(1,649)	323	32,797
Total Accumulated Depreciation	38,264	5,233	(1,649)	581	42,429
Total Capital Assets being Depreciated, Net	23,201	(724)	820	(1,678)	21,619
Business-Type Activities Capital Assets, Net	\$ 35,510	\$ 1,143	\$ (807)	\$ (1,074)	\$ 34,772

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 5 – Capital Assets (cont.)

Depreciation expense of governmental activities was charged to functions as follows (in thousands of dollars):

General Government.....	\$ 9,816
Education	1,757
Natural and Economic Resources	9,597
Transportation and Law Enforcement	931,772
Human Services	66,152
Total.....	<u>\$ 1,019,094</u>

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands of dollars):

	College and Universities	Non-Major Component Units	Total
Capital Assets not being Depreciated:			
Construction in Progress	\$ 227,807	\$ 1,684	\$ 229,491
Land	116,464	8,040	124,504
Other Non-Depreciable Assets	18,534	---	18,534
Total Capital Assets not being Depreciated	<u>362,805</u>	<u>9,724</u>	<u>372,529</u>
Capital Assets being Depreciated:			
Land Improvements	13,783	---	13,783
Buildings and Improvements	2,702,059	19,609	2,721,668
Equipment, Fixtures, and Books	926,434	138	926,572
Infrastructure	245,763	---	245,763
Total Capital Assets being Depreciated	<u>3,888,039</u>	<u>19,747</u>	<u>3,907,786</u>
Less Total Accumulated Depreciation	<u>(1,554,855)</u>	<u>(1,353)</u>	<u>(1,556,208)</u>
Total Capital Assets being Depreciated, Net	<u>2,333,184</u>	<u>18,394</u>	<u>2,351,578</u>
Discretely Presented Component Units – Capital Assets, Net	<u>\$ 2,695,989</u>	<u>\$ 28,118</u>	<u>\$ 2,724,107</u>

Note 6 – Leases

Capital

The State has entered into various agreements to lease land, buildings and equipment. FASB Statement No. 13, *Accounting For Leases*, requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee (a capital lease).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 6 – Leases (cont.)

Capital leases for the Enterprise, Internal Service and College and University Funds are reported as a long-term obligation in those funds along with the related assets. Capital leases and the related assets are not reported on the fund financial statements of Governmental type funds. However, the capital leases and related assets of Governmental funds are included on the government-wide financial statements and they are shown on the reconciliation between fund financial statements and government-wide statements.

Following is a summary of the future minimum lease payments for capital leases (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>College and University</u>
2004	\$ 36,570	\$ 24	\$ 1,523	\$ 3,087
2005	35,829	24	813	2,948
2006	34,709	24	602	1,526
2007	25,997	24	333	1,223
2008	25,896	24	114	1,216
2009–2013	109,866	119	568	6,075
2014–2018	64,019	10	222	6,075
2019–2023	8,402	---	---	1,519
Total minimum lease payments	341,288	249	4,175	23,669
Less amount representing interest	109,920	128	572	9,146
Present value of net minimum lease payments	<u>\$ 231,368</u>	<u>\$ 121</u>	<u>\$ 3,603</u>	<u>\$ 14,523</u>

Assets acquired through these capital lease agreements are recorded as fixed assets at the lower of the present value of the minimum lease payments or the fair value at the time of acquisition. The following is an analysis of the property under capital lease by asset category as of June 30, 2003 (in thousands of dollars):

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>College and University</u>
Land	\$ ---	\$ ---	\$ ---	\$ 152
Buildings	262,157	127	997	16,099
Equipment	53,283	---	8,971	3,969
Total Fixed Assets	<u>\$ 315,440</u>	<u>\$ 127</u>	<u>\$ 9,968</u>	<u>\$ 20,220</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 6 – Leases (cont.)

Operating

The State has entered into various operating leases for land, buildings, and equipment. Each lease contains a fiscal funding clause indicating that continuation of the lease is subject to annual funding by the General Assembly. It is expected that in the normal course of business most of the leases will be renewed or replaced by similar leases. Future minimum commitments due under operating leases as of June 30, 2003, were as follows (in thousands of dollars):

<u>Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2004	\$ 35,502	\$ 2,668
2005	24,316	1,644
2006	19,323	863
2007	13,654	295
2008	11,714	213
2009–2013	17,396	1,356
2014–2018	135	---
2019–2020	27	---
Total Minimum Commitments	<u>\$ 122,067</u>	<u>\$ 7,039</u>

Expenditures for rent under operating leases for the years ended June 30, 2003 and June 30, 2002 were \$33,508,501 and \$34,559,264, respectively.

Note 7 – Total State Revenue Refund

Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. As of June 30, 2003, the State has refunded \$978.7 million to taxpayers including \$147.2 million in fiscal year 1995, \$229.1 million in fiscal year 1996, \$318.8 million in fiscal year 1997, \$178.8 million in fiscal year 1998, \$98.8 million in fiscal year 1999, and \$6.0 million in fiscal year 2003. All \$978.7 million of refunds were initially paid from the General Revenue Fund and various other funds reimbursed their share of the refund liability through transfers to the General Revenue Fund as appropriated by the General Assembly. The total amount reimbursed from other funds was \$168.1 million. This calculation is based on Missouri court rulings regarding calculation of the limit and construing the term "total state revenues," including Buechner v. Bond 650 S.W. 2d 611 (Mo. banc 1983), Hancock v. Secretary of State 885 S.W. 2d 42 (Mo. App. W.D. 1994), and Kelly v. Hanson and Ward 959 S.W. 2d 107 (Mo. banc 1997) and other court cases. Currently, the State's revenues are more than \$1 billion below the revenue limitation.

Note 8 – Retirement Systems

The State has two major retirement systems which cover substantially all State employees. These systems are Missouri State Employees' Retirement System (MOSERS) and Highway and Transportation Employees' and Highway Patrol Retirement System (HEHPRS). The University of Missouri Retirement Plan is included as a college and university component unit. The Public School Retirement System is included in this note disclosure as the State contributes to it. The Missouri State Employees' Deferred Compensation Incentive Plan is a defined contribution pension plan, to which the State also contributes.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 8 – Retirement Systems (cont.)

Plan Descriptions

The Missouri State Employees' Plan (MSEP), Administrative Law Judges and Legal Advisors Plan (ALJLAP) and the Judicial Plan are single-employer defined benefit public employees' retirement plans administered by MOSERS. The Plans are administered in accordance with the Revised Statutes of Missouri Sections 104.010 and 104.312-104.1215, 287.812-287.856 and 476.445-476.690, respectively.

The MSEP has two benefit structures known as MSEP (closed plan) and MSEP 2000 (new plan). The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000. Members in the closed plan have the option at retirement to choose between the benefit structure of the closed plan or new plan. Retirement benefits for members of the ALJLAP and Judicial Plan are administered and paid by MOSERS.

MOSERS provides retirement, death and disability benefits to its members. MOSERS employees are fully vested after 5 years of creditable service (4 years for elected officials and 6 years for legislators). The retirement eligibility requirements are as follows:

MSEP

Age 65 and active with 4 years of service
Age 65 with 5 years of service
Age 60 with 15 years of service
Age 50 with age and service equaling 80
or more (Rule of 80)
Employees may retire early at age 55 with at
least 10 years of service with reduced benefits.

MSEP 2000

Age 62 with 5 years of service
Age 50 with age and service equaling 80
or more (Rule of 80)
Employees may retire early at age 57 with at
least 5 years of service with reduced benefits.

ALJLAP

Age 62 with 12 years of service
Age 60 with 15 years of service
Age 55 with 20 years of service
Employees may retire early at age 65 with less
than 12 years of service with a reduced
benefit that is based upon years of
service relative to 12 years.

Judicial Plan

Age 62 with 12 years of service
Age 60 with 15 years of service
Age 55 with 20 years of service
Employees may retire early at age 62 with less
than 12 years of service or age 60 with less
than 15 years of service with reduced benefit
that is based upon years of service relative to
12 or 15 years.

For members hired prior to August 28, 1997, cost of living adjustments (COLA's) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a floor of 4% and a ceiling of 5%, until the cumulative amount of COLA's equal 65% of the original benefit, thereafter the 4% floor is eliminated. For members hired on or after August 28, 1997, COLA's are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP, ALJLAP, and Judicial Plan may make a one-time election to receive the present value of benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than \$10,000.

The Highway and Transportation Employees' and Highway Patrol Retirement System (HEHPRS) is a single-employer defined benefit public employees' retirement system administered in accordance with the Revised Statutes of Missouri Sections 104.010-104.270.

HEHPRS membership is composed of qualified employees of the Missouri Highways and Transportation Commission (includes employees of the Department of Transportation), and uniformed and non-uniformed members of the State Highway Patrol.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 8 – Retirement Systems (cont.)

HEHPRS provides retirement, death and disability benefits to its members. HEHPRS employees are fully vested after 5 years of creditable service. Employees may retire at age 65 with 4 years of service; age 60 with 15 years of service; or age 50 with age and service equaling 80 or more. Employees may retire at or after age 55 and receive a reduced benefit if they have at least 10 years of service. For members hired prior to August 28, 1997, cost of living adjustments (COLA's) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a floor of 4% and a ceiling of 5%, until the cumulative amount of COLA's equal 65% of the original benefit, thereafter the 4% floor is eliminated. For members hired on or after August 28, 1997, COLA's are provided annually based on 80% of the CPI. Effective August 28, 1994, uniformed patrol members who previously served in the police force of any city will be allowed to purchase creditable service time of up to 4 years maximum.

Copies of financial reports issued by MOSERS and HEHPRS can be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

Missouri Highway and Transportation Employees'
and Highway Patrol Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Funding Requirement

MOSERS administers plans which cover substantially all State of Missouri employees. The State of Missouri is obligated by State law to make all required contributions to the System. The actuarially determined contributions are expressed as a level percentage of covered payroll. Current year actuarially determined contribution rates for the MSEP, ALJLAP and the Judicial Plan are 8.81%, 20.02% and 52.12%, respectively. Actual contribution rates are the same as the actuarially determined rates.

The State of Missouri makes all contributions to HEHPRS. Current year calculated contribution rates are 32.93% for uniformed members of the Highway Patrol and 22.60% for non-uniformed members of the Highway Patrol and employees of the Department of Transportation. Actual contribution rates are 34.94% for uniformed and 23.29% for non-uniformed members of the Highway Patrol and employees of the Department of Transportation.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	MSEP	ALJLAP	Judicial Plan	HEHPRS
Annual required contribution	\$ 156,576	\$ 951	\$ 20,802	\$ 82,039
Interest on net pension obligation	4,729	8	3,266	---
Actuarial adjustment to annual required contribution	(3,308)	(6)	(2,320)	---
Annual pension cost	157,997	953	21,748	82,039
Contributions made	(156,576)	(951)	(20,802)	(82,039)
Increase in net pension obligation	1,421	2	946	---
Net pension obligation, beginning of year	55,638	92	38,417	---
Net pension obligation, end of year	<u>\$ 57,059</u>	<u>\$ 94</u>	<u>\$ 39,363</u>	<u>\$ ---</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 8 – Retirement Systems (cont.)

The annual required contribution for MOSERS for the current year was determined as part of an actuarial valuation of the Systems as of June 30, 2001, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MOSERS include (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 2.7% per year for MSEP and 0% to 1.6% for ALJLAP and Judicial Plan, depending on age, attributable to seniority and/or merit and (d) the assumption that benefits will increase 4.0% per year after retirement.

The actuarial valuation of the System dated June 30, 2003, will set the required contribution rates for the fiscal year ending June 30, 2005. The actuarial value of assets was determined using a 5-year valuation method which fully recognizes expected investment return and averages unanticipated market return. The unfunded actuarial accrued liabilities are amortized on a closed basis as a level percentage of payroll over 32 years.

The annual required contribution for HEHPRS for the current year was determined as part of an actuarial valuation as of June 30, 2002, using the normal entry age actuarial cost method. Significant actuarial assumptions used in the valuation for HEHPRS include (a) rate of return on the investment of 8.25% and (b) projected wage inflation rate of 4.0%.

As of June 30, 2003, the actuarial valuation of assets was determined using a 5-year adjusted value average. The unfunded actuarial accrued liabilities are amortized as closed, level percentage over 33 years.

Trend Information (in thousands of dollars)

	MSEP			ALJLAP		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/03	06/30/02	06/30/01	06/30/03	06/30/02	06/30/01
Annual Pension Cost (APC)	\$ 157,997	\$ 210,897	\$ 217,459	\$ 953	\$ 1,075	\$ 1,078
Percentage of APC Contributed	99.10%	99.34%	99.21%	99.79%	99.77%	99.74%
Net Pension Obligation	\$ 57,059	\$ 55,638	\$ 54,256	\$ 94	\$ 93	\$ 90
	Judicial Plan			HEHPRS		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/03	06/30/02	06/30/01	06/30/03	06/30/02	06/30/01
Annual Pension Cost (APC)	\$ 21,748	\$ 23,121	\$ 23,651	\$ 82,039	\$ 77,440	\$ 81,155
Percentage of APC Contributed	95.65%	95.53%	95.02%	100%	100%	100%
Net Pension Obligation	\$ 39,363	\$ 38,417	\$ 37,384	\$ ---	\$ ---	\$ ---

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 8 – Retirement Systems (cont.)

Public School Retirement System of Missouri:

The State of Missouri also made employer contributions to the Public School Retirement System of Missouri which is a cost-sharing multiple-employer defined benefit public employees' retirement system. The System includes all public school districts within the State except for the two districts covering the major metropolitan areas. It also includes certain public colleges and universities and some State employees.

The benefit provisions include retirement annuities, death benefits and disability benefits. A member is vested after acquiring five years of membership credit for Missouri service.

The System was created and is governed by Chapter 169 of the Revised Statutes of Missouri. State employees who elect to remain with the Public School Retirement System under the Revised Statutes of Missouri, Section 104.342, are covered by the System.

Employees of the State are not required to contribute. The State, as employer, contributed \$2,950,949, \$3,056,577, and \$3,514,745 for the years ending June 30, 2003, 2002 and 2001, respectively, to the System, equal to the required contributions for each year.

Copies of the System's June 30, 2003, Comprehensive Annual Financial Report can be requested from:

Public School Retirement System of Missouri
P.O. Box 268
3210 West Truman Boulevard
Jefferson City, Missouri 65109

Missouri State Employees' Deferred Compensation Incentive Plan:

The Plan was established by the Missouri State Public Employees' Deferred Compensation Commission in July 1995 pursuant to Section 401(a) of the Internal Revenue Code. It is administered by the Public Employees Benefit Services Corporation (PEBSCO).

Under the Plan provisions, any employee of the State is eligible to participate in the Plan if he/she has been an employee of the State for at least 12 consecutive months immediately preceding any employer contributions to the Plan, and is making continuous monthly deferrals of at least \$25 to the Missouri State Public Employees' Deferred Compensation Plan. The State, subject to appropriation, contributes \$25 per month for each employee that meets these requirements. Participating employees are 100% vested.

The first employer contributions to the Plan were made in January 1996. During fiscal year 2003, employer contributions were \$11,593,862. No employee contributions are made to the Plan.

Copies of the Plan's financial statements can be requested from:

PEBSCO – A Division of Nationwide
Retirement Solutions, Inc.
One Nationwide Plaza, 1-13-G1
Columbus, Ohio 43215-2220

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 8 – Retirement Systems (cont.)

College and University:

University of Missouri Retirement System

Plan Description

The University of Missouri Retirement, Disability and Death Benefit Plan is a single employer, defined benefit Plan for all qualified employees. The University's Board of Curators establishes the terms of the Plan, and the University, as authorized by State statute, administers it.

All full-time employees are eligible for benefits after five years of credited service. Full benefits are available to members who retire at age 65 or after. Early retirement may be taken, at member's option, after age 55 with at least ten years of credited service, or age 60 with five years of credited service. Benefits are reduced for those who retire early, unless they retire at age 62 or later with at least 25 years of credited service. At retirement, up to 30% of the value of the retirement annuity can be taken in a lump sum; also the single life annuity can be exchanged for an actuarially annuity option.

Separate financial statements and supplemental schedules are not prepared for the Plan.

Detailed information concerning the Plan is presented in the University's 2003 Financial Report, which is publicly available. Copies of this report can be requested from:

University of Missouri System
Office of the Controller
118 University Hall
Columbia, Missouri 65211

Funding Requirement

The University's contributions to the Plan are equal to the actuarially determined contribution requirement, as a percent of payroll, which averaged 2.6% for the year ended June 30, 2003. The Plan is funded 100% by University contributions and does not require employee contributions. The contribution rate is updated annually at the beginning of the University's fiscal year on July 1 to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1, and the adoption of any Plan amendments during the interim.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

Annual required contribution	\$ 17,962
Interest on net pension obligation	---
Adjustment to annual required contribution	---
Annual pension cost	<u>17,962</u>
Contributions made	<u>(17,962)</u>
Change in net pension obligation	---
Net pension obligation, beginning of year	<u>---</u>
Net pension obligation, end of year	<u><u>\$ ---</u></u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 8 – Retirement Systems (cont.)

The annual required contribution for the University for the current year was determined as part of an actuarial valuation of the System as of October 1, 2001, using the entry age normal actuarial cost method and adjusted for the Plan amendments effective September 1, 2002. Significant actuarial assumptions used in the valuation include (a) assumed rate of return on investments of 8.0% per year, (b) projected salary increases for academic and administrative employees averaging 5.2% per year, (c) projected salary increases for clerical and service employees averaging 4.5% per year and, (d) assumed no future retiree ad-hoc increases or cost of living adjustments.

Trend Information (in thousands of dollars)

	<u>Fiscal Year Ending</u>		
	<u>06/30/03</u>	<u>06/30/02</u>	<u>06/30/01</u>
Annual Pension Cost (APC)	\$ 17,962	\$ 25,319	\$ 29,272
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ ---	\$ ---	\$ ---

Note 9 – Other Postemployment Benefits

In addition to the retirement benefits described in *Note 8*, the State provides postemployment health care and life insurance benefits, in accordance with State statutes, to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the Highway and Transportation Employees' and Highway Patrol Insurance Plan (HEHPIP), and the Conservation Employees' Insurance Plan (CEIP). The eligible number of retirees/long-term disability claimants for MCHCP, HEHPIP, and CEIP for health care benefits are approximately 10,399, 3,798, and 491, respectively. The eligible number of retirees/long-term disability claimants for MOSERS, HEHPIP, and CEIP for life insurance benefits are 12,218, 3,004, and 357, respectively. Health care benefits are funded through both employer and employee contributions. MOSERS life insurance benefits are funded through employer and employee contributions. HEHPIP and CEIP life insurance benefits are funded through employee contributions. Employer contribution rates are set in accordance with Section 103.100 of the Revised Statutes of Missouri. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For fiscal year 2003 the State's contributions were 50.40% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the number of retirees/long-term disability claimants participating in each plan is as follows:

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	10,399	---
MOSERS	---	12,218
HEHPIP	3,798	3,004
CEIP	491	357
Total	<u>14,688</u>	<u>15,579</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 9 – Other Postemployment Benefits

During fiscal year 2003 the State contributed the following amounts:

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	\$ 30,070,708	\$ ---
MOSERS	---	1,353,292
HEHPIP	8,957,517	---
CEIP	<u>1,193,826</u>	<u>---</u>
Total	<u>\$ 40,222,051</u>	<u>\$ 1,353,292</u>

During fiscal year 2003 the expenditures recognized by the State for (employer/employee) other postemployment benefits were as follows:

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	\$ 58,227,976	\$ ---
MOSERS	---	---
HEHPIP	22,755,595	1,700,000
CEIP	<u>2,247,433</u>	<u>227,885</u>
Total	<u>\$ 83,231,004</u>	<u>\$ 1,927,885</u>

College and University Funds:

University of Missouri

In addition to the retirement benefits described in *Note 8*, the University provides postemployment medical care, dental care and life insurance benefits to eligible employees who retire from the University and to employees receiving long-term disability benefits. Currently, 5,694 retirees/long-term disability claimants meet the eligibility requirements. These postemployment benefits are funded through both employer and employee contributions. For fiscal year 2003 the University's contributions were 50.79% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the numbers of retirees/long-term disability claimants participating are 5,025 for medical care, 4,462 for dental care, 2,868 for life insurance, and 4,103 for Accidental Death and Dismemberment, Dependent Life and Long-Term Care. During fiscal year 2003, the University contributed \$13,021,411 for other postemployment benefits. During fiscal year 2003, the expenditures recognized by the University for (employer/employee) other postemployment benefits were \$26,847,916.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 10 – Missouri State Public Employees' Deferred Compensation Plan

In accordance with Internal Revenue Code Section 457, the State offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under the Plan, employees are permitted to defer a portion of their current salary until future years.

All amounts of compensation deferred under the Plan must be held in a trust, custodial account or annuity contract for the exclusive benefit of plan participants and their beneficiaries. Investments are managed by the Plan's trustee under one of several investment options, or a combination thereof. The choice of investment option(s) is made by the participants.

Copies of the Plan's financial statements can be requested from:

PEBSO – A Division of Nationwide
Retirement Solutions, Inc.
One Nationwide Plaza, 1-13-G1
Columbus, Ohio 43215-2220

Note 11 – Changes in Short-Term Liabilities

The State uses a bank overdraft line of credit to compensate for timing in cash payments and receipts. Budget reserve loans are also issued to the General Revenue Fund and other Funds to maintain adequate cash balances for anticipated payments. Temporary notes were issued, on a one-time basis, by the Tobacco Settlement Financing Authority to pay certain principal amounts of outstanding General Obligation, Convention Center, and Public Facilities Acute Care debt.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2003 (in thousands of dollars):

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Governmental Activities:				
Bank Overdraft	\$ 6	\$ 520,585	\$ (520,588)	\$ 3
Budget Reserve Loans	---	400,413	(400,413)	---
Temporary Notes	---	49,835	(49,835)	---
Total Governmental Activities	<u>\$ 6</u>	<u>\$ 970,833</u>	<u>\$ (970,836)</u>	<u>\$ 3</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 12 – Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2003 (in thousands of dollars):

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003	Due Within One Year
Governmental Activities:					
Due to Other Entities	\$ 20,151	\$ 9,954	\$ (1,000)	\$ 29,105	\$ 1,526
General Obligation Bonds Payable	923,795	559,180	(582,230)	900,745	40,015
Other Bonds Payable	1,054,415	387,425	(30,885)	1,410,955	40,115
Unamortized Bond Premium	15,343	69,354	(4,552)	80,145	---
Obligations Under Lease/Purchases	235,196	27,169	(27,394)	234,971	22,706
Compensated Absences	156,972	141,408	(143,638)	154,742	143,638
Claims/Judgements	226,293	34,113	(148,622)	111,784	34,328
2 nd Injury Fund Claims/Judgements	242,596	8,741	(50,209)	201,128	50,209
Total Governmental Activities	<u>\$ 2,874,761</u>	<u>\$ 1,237,344</u>	<u>\$ (988,530)</u>	<u>\$ 3,123,575</u>	<u>\$ 332,537</u>
Business-Type Activities:					
Claims Liability	\$ 90,477	\$ 44,591	\$ (15,078)	\$ 119,990	\$ 22,000
Grand Prize Winner Liability	110,609	46,073	(50,717)	105,965	37,240
Obligations Under Lease/Purchases	28	96	(3)	121	5
Compensated Absences	1,878	2,713	(2,631)	1,960	1,960
Total Business-Type Activities	<u>\$ 202,992</u>	<u>\$ 93,473</u>	<u>\$ (68,429)</u>	<u>\$ 228,036</u>	<u>\$ 61,205</u>

Note 13 – Bonds Payable

Bonds are long-term liabilities and are reconciling items from fund financial statements to government-wide financial statements. On the Government-Wide Statement of Net Assets, the long-term liabilities are shown as the amounts due within one year from the date of the statement and the amounts due in more than one year from the date of the statement. These bonds are included as long-term liabilities because the principal and interest payments required for retirement of the bonds are made from governmental funds.

General Obligation Bonds:

The Board of Fund Commissioner's of the State of Missouri, upon voter approval and subsequent authorization of the General Assembly, issues general obligation bonds that are secured by a pledge of the full faith, credit and resources of the State. The principal and interest amounts are transferred one year in advance from the General Fund to the Debt Service Funds from which principal and interest payments are made. Four types of general obligation bonds are currently outstanding. The Water Pollution Control Bonds are used to provide funds for the protection of the environment through the control of water pollution. The total amount authorized for issue is \$725,000,000. Proceeds from the \$600,000,000 Third State Building Bonds were used to provide funds for improvements of State buildings and property. Proceeds from the \$250,000,000 Fourth State Building Bonds are used to provide funds for improvements of buildings and property of higher education institutions, Department of Corrections, and the Division of Youth Services. Proceeds from the Stormwater Control Bonds are used to provide funds to protect the environment through the control of stormwater. The total amount authorized for issue is \$200,000,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

To take advantage of lower interest rates, the Board of Fund Commissioners has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Water Pollution Control Bonds:				
Series A 1987 Refunding	8/1/87	\$ 49,715	A 1981	\$ 16,940
			B 1983	9,625
			A 1985	19,575
Series B 1991 Refunding	11/1/91	17,435	A 1983	16,415
Series C 1991 Refunding	11/1/91	33,575	B 1987	30,695
Series B 1992 Refunding	8/15/92	50,435	A 1986	46,400
Series B 1993 Refunding	8/1/93	109,415	A 1987 Refunding	33,240
			A 1989	27,280
			A 1991	27,350
			B 1991 Refunding	11,355
Series B 2002 Refunding	10/15/02	147,710	C 1991 Refunding	21,875
			A 1992	26,560
			B 1992 Refunding	33,595
			A 1993	22,350
			A 1995	22,520
			A 1996	25,900
Third State Building Bonds:				
Series A 1987 Refunding	8/1/87	170,115	B 1983	33,675
			A 1984	48,130
			A 1985	73,375
Series A 1991 Refunding	11/1/91	34,870	A 1983	32,835
Series B 1991 Refunding	11/1/91	71,955	B 1987	65,780
Series A 1992 Refunding	8/15/92	273,205	A 1986	251,355
Series A 1993 Refunding	8/1/93	148,480	A 1987 Refunding	113,725
			A 1991 Refunding	22,935
Series A 2002 Refunding	10/15/02	211,630	B 1991 Refunding	47,320
			A 1992 Refunding	181,170
Fourth State Building Bonds:				
Series A 2002 Refunding	10/15/02	154,840	A 1995	56,300
			A 1996	92,485

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2003, \$544,494,240 of the Water Pollution Control Bonds; \$600,000,000 of the Third State Building Bonds; \$250,000,000 of the Fourth State Building Bonds; and \$45,000,000 of the Stormwater Control Bonds have been issued. The remaining authorization for the Water Pollution Control Bonds is \$180,505,760 and Stormwater Control Bonds is \$155,000,000. There is no remaining authorization for the Third State Building Bonds and the Fourth State Buildings Bonds.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

General obligation bonds issued and outstanding as of June 30, 2003, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Water Pollution Control Bonds:						
Series A 1993	4.3 – 7.3%	2/1; 8/1	8/93	8/1/18	\$ 30,000	\$ 945
Series B 1993 – Refunding	4.3 – 7.3%	2/1; 8/1	8/93	8/1/16	109,415	83,540
Series A 1995	5.125 – 8.0%	4/1; 10/1	4/95	4/1/20	30,000	1,850
Series A 1996	5.2 – 6.25%	2/1; 8/1	8/96	8/1/21	35,000	4,125
Series A 1998	4.25 – 6.25%	12/1; 6/1	6/98	6/1/23	35,000	30,660
Series A 1999	4.5 – 7.5%	10/1; 4/1	10/99	10/1/24	20,000	18,615
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	20,000	19,045
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	30,000	30,000
Series B 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	147,710	147,710
Third State Building Bonds:						
Series A 1993 – Refunding	4.3 – 7.3%	2/1; 8/1	8/93	8/1/12	148,480	91,475
Series A 2002 – Refunding	4.0 – 5.0%	4/1; 10/1	10/02	10/1/12	211,630	211,630
Fourth State Building Bonds:						
Series A 1995	5.125 – 8.0%	4/1; 10/1	4/95	4/1/20	75,000	4,625
Series A 1996	5.2 – 6.25%	2/1; 8/1	8/96	8/1/21	125,000	14,745
Series A 1998	4.25 – 6.25%	12/1; 6/1	6/98	6/1/23	50,000	43,805
Series A 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	154,840	154,840
Stormwater Control Bonds:						
Series A 1999	4.5 – 7.5%	10/1; 4/1	10/99	10/1/24	20,000	18,615
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	10,000	9,520
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	15,000	15,000
Total General Obligation Bonds					<u>\$ 1,267,075</u>	<u>\$ 900,745</u>

As of June 30, 2003, general obligation debt service requirements for principal and interest in future years were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2004	\$ 40,015	\$ 42,724	\$ 82,739
2005	64,275	40,246	104,521
2006	67,050	36,977	104,027
2007	72,340	33,505	105,845
2008	78,840	29,998	108,838
2009–2013	285,105	100,289	385,394
2014–2018	153,775	53,012	206,787
2019–2023	114,950	18,670	133,620
2024–2028	24,395	2,587	26,982
Totals	<u>\$ 900,745</u>	<u>\$ 358,008</u>	<u>\$ 1,258,753</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

Other Bonds:

The Board of Public Buildings of the State of Missouri, upon the approval of the General Assembly, issues revenue bonds for building projects and commits State agencies to lease space in these buildings. The General Assembly appropriates to the Board, on behalf of the State agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves and to pay the costs of operations. The total amount authorized for the Board equals \$825,000,000.

To take advantage of lower interest rates, the Board of Public Buildings has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Board of Public Buildings:				
Series A 1983 Refunding	10/1/83	\$ 43,445	A 1981	\$ 43,445
Series A 1985 Refunding	12/1/85	150,560	1966	2,160
			1967	825
			A 1978	11,745
			A 1979	2,260
			A 1980	3,795
			A 1983 Refunding	39,875
			A 1984	89,900
Series A 1991 Refunding	12/1/91	148,500	A 1985 Refunding	107,700
			A 1988	19,165
			B 1988	2,550
			C 1988	2,145
Series A 2001 Refunding	10/1/01	83,465	A 1991 Refunding	86,810

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2003, the Board of Public Buildings Bonds had used \$751,205,000 of the bond authorization. The remaining authorization is \$73,795,000.

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2003, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Board of Public Buildings:						
Series A 2001	4.25 – 5.5%	5/1; 11/1	5/01	5/1/26	\$ 173,870	\$ 166,140
Series B 2001 – Refunding	3.5 – 5.5%	6/1; 12/1	10/01	12/1/12	83,465	75,920
Series A 2003	4.0 – 6.0%	4/15; 10/15	4/03	10/15/28	387,425	387,425
Total Board of Public Buildings Bonds					<u>\$ 644,760</u>	<u>\$ 629,485</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

As of June 30, 2003, the debt service requirements for principal and interest in future years for the Board of Public Buildings Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 13,005	\$ 30,616	\$ 43,621
2005	13,560	30,506	44,066
2006	14,130	29,892	44,022
2007	25,715	29,043	54,758
2008	26,535	27,764	54,299
2009–2013	117,950	118,672	236,622
2014–2018	109,060	90,206	199,266
2019–2023	136,105	60,528	196,633
2024–2028	147,245	24,175	171,420
2029	26,180	622	26,802
Totals	\$ 629,485	\$ 442,024	\$ 1,071,509

The Health and Educational Facilities Authority issued \$35,000,000 of Educational Facilities Revenue Bonds (University of Missouri–Columbia Arena Project), Series 2001, dated November 1, 2001. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement dated November 1, 2001, the Office of Administration will request that the Governor’s annual budget request to the General Assembly include the State’s financing amount for principal and interest each year. These bonds are included as Long-Term Liabilities since they will be repaid with moneys from the General Fund.

The Educational Facilities Revenue Bonds issued and outstanding as of June 30, 2003 were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Educational Facilities Revenue Bonds:						
Series 2001	3.0 – 5.0%	5/1; 11/1	11/01	11/1/21	<u>\$ 35,000</u>	<u>\$ 35,000</u>

As of June 30, 2003, the debt service requirement of the State for principal and interest in future years for the Educational Facilities Revenue Bonds (based on the financing agreement between the State and the Authority) were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ ---	\$ 1,554	\$ 1,554
2005	1,335	1,534	2,869
2006	1,380	1,493	2,873
2007	1,430	1,450	2,880
2008	1,485	1,402	2,887
2009–2013	8,435	5,972	14,407
2014–2018	10,505	3,844	14,349
2019–2022	10,430	1,034	11,464
Totals	\$ 35,000	\$ 18,283	\$ 53,283

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

The Regional Convention and Sports Complex Authority issued \$132,910,000 of Convention and Sports Facility Project Bonds, Series A 1991, dated August 15, 1991. On December 15, 1993, the Authority issued \$121,705,000 of Convention and Sports Facility Project Refunding Bonds, Series A 1993, for the purpose of refunding the callable portions of the outstanding bonds issued in August 1991 and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was \$101,410,000. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement dated August 1, 1991, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount of \$10,000,000 for principal and interest and \$2,000,000 for maintenance each year. These bonds are included as Long-Term Liabilities since they will be repaid with moneys from the General Fund.

The Convention and Sports Facility Project Bonds issued and outstanding as of June 30, 2003 were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Convention and Sports Facility Project Bonds:						
Series A 1991	4.9 – 6.9%	2/15; 8/15	8/91	8/15/03	\$ 132,910	\$ 2,845
Series A 1993 – Refunding	2.75 – 5.6%	2/15; 8/15	12/93	8/15/21	<u>121,705</u>	<u>113,170</u>
Total Convention and Sports Facility Project Bonds					<u>\$ 254,615</u>	<u>\$ 116,015</u>

As of June 30, 2003, the debt service requirement of the State for principal and interest in future years for the Convention and Sports Facility Project Bonds (based on the financing agreement between the State and the Authority) were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 3,655	\$ 6,345	\$ 10,000
2005	3,880	6,120	10,000
2006	4,065	5,935	10,000
2007	4,265	5,735	10,000
2008	4,480	5,520	10,000
2009–2013	26,280	18,720	45,000
2014–2018	34,360	10,640	45,000
2019–2022	<u>35,030</u>	<u>9,970</u>	<u>45,000</u>
Totals	<u>\$ 116,015</u>	<u>\$ 68,985</u>	<u>\$ 185,000</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

The Missouri Highways and Transportation Commission authorized by Section 226.133 of the State Highway Act, issues bonds for highway construction and repairs. Under the Missouri Constitution, the principal and interest of the State Road Bonds are payable solely from the revenues of the State Road Fund.

The total amount authorized for the Commission equals \$2,250,000,000. On December 1, 2000, the Commission issued \$250,000,000 principal amount of State Road Bonds, Series A 2000. In October 2001, the Commission issued \$200,000,000 principal amount of State Road Bonds, Series A 2001. State Road Bonds, Series A 2002, were issued by the Commission in June 2002 with principal amount of \$203,000,000. As of June 2003, the Missouri Highways and Transportation Commission had used \$653,000,000 of the bond authorization.

The State Road Bonds issued and outstanding as of June 30, 2003, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Highways and Transportation Commission:						
State Road Bonds						
Series A 2000	4.30–5.625%	2/1; 8/1	12/00	2/1/20	\$ 250,000	\$ 234,875
Series A 2001	2.25–5.125%	2/1; 8/1	10/01	2/1/21	200,000	192,580
Series A 2002	3.00–5.25%	2/1; 8/1	6/02	2/1/22	<u>203,000</u>	<u>203,000</u>
Total Missouri Highways and Transportation Commission					<u>\$ 653,000</u>	<u>\$ 630,455</u>

As of June 30, 2003 debt service requirements for principal and interest in future years for the Missouri Highways and Transportation Commission State Road Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 23,455	\$ 31,086	\$ 54,541
2005	24,375	30,126	54,501
2006	25,340	29,154	54,494
2007	26,400	28,107	54,507
2008	27,405	26,953	54,358
2009–2013	158,015	113,757	271,772
2014–2018	202,380	69,528	271,908
2019–2022	<u>143,085</u>	<u>15,337</u>	<u>158,422</u>
Totals	<u>\$ 630,455</u>	<u>\$ 344,048</u>	<u>\$ 974,503</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

Component Units' Long-Term Debt – The following bonds are included in the balance sheet of the College and University Funds and the Non-Major Component Units.

Major

College and University Funds:

The colleges and universities of the State issue revenue bonds for various projects on each respective campus. Bonds are payable, both principal and interest, only out of net income and revenues arising from operations of facilities funded by the bonds. As of June 30, 2003, debt service requirements for principal and interest for the colleges and universities were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 23,236	\$ 34,442	\$ 57,678
2005	24,523	33,493	58,016
2006	26,132	32,478	58,610
2007	26,821	31,391	58,212
2008	25,965	30,239	56,204
2009–2013	137,197	132,460	269,657
2014–2018	148,326	98,167	246,493
2019–2023	134,225	63,258	197,483
2024–2028	128,775	30,340	159,115
2029	80,970	7,877	88,847
Totals ⁽¹⁾	<u>\$ 756,170</u>	<u>\$ 494,145</u>	<u>\$ 1,250,315</u>

⁽¹⁾ The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Non-Major

Development Finance Board:

On July 1, 2000, the Development Finance Board issued \$7,700,000 in Infrastructure Facilities Grant Anticipation Bonds, Series 2000A. The Series 2000A bonds is not an obligation of the Board and do not constitute a pledge of the full faith and credit of the State. In December 2000, the Board issued \$39,555,000 in Facilities Revenue Bonds for the purpose of paying the costs of acquiring and constructing a convention center hotel and hotel garage in St. Louis. Bonds are payable, both principal and interest, only out of revenues derived from the operation of the convention center.

The Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2003, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Development Finance Board:						
Revenue Bonds						
Series 2000A	5.75%	8/1	7/00	8/1/04	\$ 7,700	\$ 7,700
Series 2000B	up to 8.5%	12/1	12/00	12/1/20	6,500	6,500
Series 2000C	up to 6.7%	12/1	12/00	12/1/20	14,600	14,600
Total Development Finance Board Revenue Bonds					<u>\$ 28,800</u>	<u>\$ 28,800</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

As of June 30, 2003, the debt service requirements for principal and interest in future years for the Development Finance Board Revenue Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ ---	\$ 2,237	\$ 2,237
2005	7,700	2,019	9,719
2006	---	1,793	1,793
2007	300	1,793	2,093
2008	300	1,768	2,068
2009–2013	1,600	8,467	10,067
2014–2018	2,100	7,697	9,797
2019–2021	16,800	4,135	20,935
Totals	<u>\$ 28,800</u>	<u>\$ 29,909</u>	<u>\$ 58,709</u>

In December 2002, the Development Finance Board purchased a rate cap agreement of 8.5% for Series 2000B bonds and 6.7% for Series 2000C bonds with an expiration date of December 1, 2007. The Board has the option in the future to restructure the bond debt to acquire a fixed interest rate. The annual debt service schedule above uses an interest rate of 8.5% for the Series 2000B and Series 2000C bonds, which represents the maximum interest rate under the rate cap agreement.

Under a financing agreement dated July 1, 2000, the Missouri Highways and Transportation Commission will make payments to the Development Finance Board in the amount of \$7,700,000 to pay the principal on the Series 2000A bond. The future payments to the Corporation are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Commission Payments</u>
2004	\$ ---
2005	<u>7,700</u>
Totals	<u>\$ 7,700</u>

Transportation Corporations:

The Fulton 54 Transportation Corporation issued \$8,705,000 of Highway Revenue Bonds Series 2000 dated September 1, 2000. These bonds are not an obligation of the Corporation and do not constitute a pledge of the full faith and credit of the State.

The Fulton 54 Transportation Corporation Highway Revenue Bonds issued and outstanding as of June 30, 2003, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Fulton 54 Transportation Corporation: Highway Revenue Bonds Series 2000	4.60–5.00%	9/1	9/00	9/1/07	<u>\$ 8,705</u>	<u>\$ 8,705</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

As of June 30, 2003, debt service requirements for principal and interest in future years for the Fulton 54 Transportation Corporation Revenue Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ ---	\$ 412	\$ 412
2005	2,165	363	2,528
2006	2,165	262	2,427
2007	2,180	158	2,338
2008	2,195	52	2,247
Totals	<u>\$ 8,705</u>	<u>\$ 1,247</u>	<u>\$ 9,952</u>

Under a financing agreement dated September 1, 2000, the Missouri Highways and Transportation Commission will make payments to the Fulton 54 Transportation Corporation in the amount of \$7,695,000 to pay a portion of the principal on the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Commission Payments</u>
2004	\$ ---
2005	2,165
2006	2,165
2007	2,165
2008	1,200
Totals	<u>\$ 7,695</u>

The Missouri Highway 179 Transportation Corporation issued \$22,930,000 of Highway Revenue Bonds Series 1997 dated September 1, 1997. These bonds are not an obligation of the Corporation and do not constitute a pledge of the full faith and credit of the State.

The Missouri Highway 179 Transportation Corporation Highway Revenue Bonds issued and outstanding as of June 30, 2003, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Highway 179 Transportation Corporation: Highway Revenue Bonds Series 1997	3.95 – 5.25%	3/1; 9/1	9/97	9/1/08	<u>\$ 22,930</u>	<u>\$ 14,915</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

As of June 30, 2003, debt service requirements for principal and interest in future years for the Missouri Highway 179 Transportation Corporation Highway Revenue Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 2,220	\$ 664	\$ 2,884
2005	2,315	563	2,878
2006	2,420	456	2,876
2007	2,530	344	2,874
2008	2,645	216	2,861
2009	<u>2,785</u>	<u>73</u>	<u>2,858</u>
Totals	<u>\$ 14,915</u>	<u>\$ 2,316</u>	<u>\$ 17,231</u>

Under a financing agreement dated August 1, 1997, the Missouri Highways and Transportation Commission will make payments to the Highway 179 Transportation Corporation in the amount of \$24,910,000 to pay a portion of the principal and interest on the bonds. The remaining payments are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Commission's Total Payments</u>
2004	\$ 1,824	\$ 546	\$ 2,370
2005	1,782	658	2,440
2006	1,755	759	2,514
2007	1,709	880	2,589
2008	1,580	1,087	2,667
2009	<u>1,742</u>	<u>1,358</u>	<u>3,100</u>
Totals	<u>\$ 10,392</u>	<u>\$ 5,288</u>	<u>\$ 15,680</u>

In April 1997, the Springfield, MO State Highway Improvement Corporation issued \$16,440,000 of Transportation Revenue Bonds, Series 1997. On August 1, 1999, the Corporation issued \$17,240,000 of Transportation Revenue Bonds, Series 1999. These bonds are not an obligation of the Corporation and do not constitute a pledge of the full faith and credit of the State.

The Springfield, MO State Highway Improvement Corporation Transportation Revenue Bonds issued and outstanding as of June 30, 2003, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Springfield, MO State Highway Improvement Corporation:						
Transportation Revenue Bonds Series 1997	5.0 – 5.25%	2/1; 8/1	4/97	8/1/03	\$ 16,440	\$ 2,520
Bonds Series 1999	3.6 – 4.75%	2/1; 8/1	8/99	8/1/05	<u>17,240</u>	<u>11,580</u>
Total Springfield, MO State Highway Improvement Corporation Bonds					<u>\$ 33,680</u>	<u>\$ 14,100</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

As of June 30, 2003, debt service requirements for principal and interest in future years for the Springfield, MO State Highway Improvement Corporation Transportation Revenue Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 5,630	\$ 527	\$ 6,157
2005	5,000	275	5,275
2006	<u>3,470</u>	<u>78</u>	<u>3,548</u>
Totals	<u>\$ 14,100</u>	<u>\$ 880</u>	<u>\$ 14,980</u>

Under an amended financing agreement dated August 5, 1999, the Missouri Highways and Transportation Commission will make payments to the Springfield, MO Highway Improvement Corporation in the amount of \$28,667,000 to pay a portion of the principal of the bonds. The remaining payments are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Commission Payments</u>
2004	\$ 5,000
2005	5,000
2006	<u>3,667</u>
Totals	<u>\$ 13,667</u>

The Wentzville Parkway Transportation Corporation issued \$12,935,000 of Transportation Revenue Bonds, Series 2001 dated May 1, 2001. These bonds are not an obligation of the Corporation and do not constitute a pledge of the full faith and credit of the State.

The Wentzville Parkway Transportation Corporation Transportation Revenue Bonds issued and outstanding as of June 30, 2003, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Wentzville Parkway Transportation Corporation: Transportation Revenue Bonds Series 2001	3.4 – 4.9%	2/1; 8/1	5/01	8/1/10	<u>\$ 12,935</u>	<u>\$ 12,590</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 13 – Bonds Payable (cont.)

As of June 30, 2003, debt service requirements for principal and interest in future years for the Wentzville Parkway Transportation Corporation Transportation Revenue Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 80	\$ 570	\$ 650
2005	85	566	651
2006	100	562	662
2007	8,935	362	9,297
2008	485	152	637
2009–2011	<u>2,905</u>	<u>278</u>	<u>3,183</u>
Totals	<u>\$ 12,590</u>	<u>\$ 2,490</u>	<u>\$ 15,080</u>

Under a funding agreement dated April 6, 2001, the Missouri Highways and Transportation Commission will make a fixed sum payment to the Wentzville Parkway Transportation Corporation in the amount of \$8,849,000 to pay a portion of the principal of the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Commission Payments</u>
2004	\$ ---
2005	---
2006	---
2007	<u>8,849</u>
Totals	<u>\$ 8,849</u>

Bond Transactions of the State of Missouri – The following schedule is a summary of bond activity for the fiscal year ended June 30, 2003 (in thousands of dollars):

	<u>Governmental Funds</u>		<u>Component Units</u>	
	<u>General Obligation Bonds</u>	<u>Other Bonds</u>	<u>Revenue Bonds</u>	<u>Totals</u>
Bonds Payable at July 1, 2002	\$ 923,795	\$ 1,054,415	\$ ---	\$ 1,978,210
Bond Issuance	559,180	387,425	---	946,605
Bonds Retired	<u>(582,230)</u>	<u>(30,885)</u>	<u>---</u>	<u>(613,115)</u>
Subtotal	900,745	1,410,955	---	2,311,700
College and University ⁽¹⁾	---	---	756,170	756,170
Development Finance Board	---	---	28,800	28,800
Fulton 54 Transportation Corporation	---	---	8,705	8,705
Highway 179 Transportation Corporation	---	---	14,915	14,915
Springfield, MO State Highway Improvement	---	---	14,100	14,100
Wentzville Parkway Transportation Corporation	<u>---</u>	<u>---</u>	<u>12,590</u>	<u>12,590</u>
Bonds Payable at June 30, 2003	<u>\$ 900,745</u>	<u>\$ 1,410,955</u>	<u>\$ 835,280</u>	<u>\$ 3,146,980</u>

⁽¹⁾ Detailed information for College and University Funds are not shown.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 14 – Defeased Debt

A. Current Year Debt Defeasance

On October 15, 2002, the State of Missouri issued \$147,710,000 in Water Pollution Control General Obligation Refunding Bonds, Series B 2002, with interest rates ranging from 3.375% to 5.00% to refund \$82,030,000 of outstanding Water Pollution Control, Series C 1991–Refunding, Series A 1992 and Series B 1992–Refunding bonds with interest rates ranging from 5.00% to 7.75% and to advance refund \$70,770,000 (callable portions) of outstanding Series A 1993, Series A 1995, and Series A 1996 bonds with interest rates ranging from 4.30% to 8.00%. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for the bonds have been removed from the financial statements. The State reduced its total debt service payments over the next 18 years by \$19,050,322 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$14,489,404.

On October 15, 2002, the State of Missouri issued \$211,630,000 in Third State Building General Obligation Refunding Bonds, Series A 2002, with interest rates ranging from 4.00% to 5.00% to refund \$228,490,000 of outstanding Third State Building, Series B 1991–Refunding and Series A 1992–Refunding bonds with interest rates ranging from 5.00% to 7.75%. The securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the financial statements. The State reduced its total debt service payments over the next 10 years by \$20,420,109 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$17,983,782.

On October 15, 2002, the State of Missouri issued \$154,840,000 in Fourth State Building General Obligation Refunding Bonds, Series A 2002, with interest rates ranging from 3.375% to 5.00% to advance refund \$148,785,000 (callable portions) of outstanding Fourth State Building, Series A 1995 and Series A 1996 bonds with interest rates ranging from 5.125% to 8.00%. The securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the financial statements. The State reduced its total debt service payments over the next 16 years by \$25,998,458 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$17,734,348.

On December 23, 2002, Central Missouri State University issued \$14,340,000 of Series 2002, Revenue Bonds. The bonds bear interest at rates of 1.25% to 4.35% paid semiannually. Proceeds from the issuance of these bonds were used to fund the energy savings program and to refund the Library Facility, Series 1995 Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$667,222. The difference is reported as a deduction from bonds payable and is being amortized to interest expense through the year 2017. The University completed the advance refunding to reduce its total debt service payments over the next 22 years by \$2,356,927 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$645,000. On June 30, 2003, \$7,720,000 of bonds outstanding are considered defeased.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 14 – Defeased Debt (cont.)

During fiscal year 2003, Southwest Missouri State University issued \$16,510,000 of Auxiliary Enterprise System Bonds, Series A 2002 and \$5,445,000 of Classroom Buildings Bonds, Series 2002. The Series 2002 Bonds refunded \$5,295,000 of Auxiliary Enterprise System Bonds, Series A 1993, \$14,235,000 of Auxiliary Enterprise System Bonds, Series B 1993, and \$5,155,000 of Classroom Building Bonds, Series 1996. The bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements of the University. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,940,669 for the Auxiliary Enterprise System Bonds and \$488,989 for the Classroom Building Bonds. This difference is reported as a deduction from bonds payable and is being amortized to interest expense through year 2010 for the Auxiliary Enterprise System Bonds and through year 2016 for the Classroom Building Bonds. The University completed the refunding to reduce its total debt service payments over the next 13 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,787,134 for the Auxiliary Enterprise System Bonds and \$379,173 for the Classroom Building Bonds. At June 30, 2003, defeased bonds aggregating \$30,470,000 are outstanding.

B. Prior Year Debt Defeasances

In prior years, various bond issues were defeased by creating separate irrevocable trust funds.

Either new debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds or sufficient funds have been deposited in an irrevocable escrow to pay principal and interest as they become due.

For financial reporting purposes, the following debt has been defeased and therefore removed as a liability from the Governmental Activities or College and University Funds statement of net assets.

Governmental Activities – As of June 30, 2003, bonds outstanding of \$995,645,000 are defeased.

College and University Funds – As of June 30, 2003, bonds outstanding of \$105,046,000 are defeased.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 15 – Payables and Receivables

	Governmental Activities	Business-Type Activities	Balance June 30, 2003
Accounts Payable:			
Taxpayers	\$ 96,758	\$ ---	\$ 96,758
Other Governments	211,344	474	211,818
Vendors	781,041	13,332	794,373
Beneficiaries	40,870	---	40,870
Employees	102,827	1,405	104,232
Other	47,314	185	47,499
	<u>\$ 1,280,154</u>	<u>\$ 15,396</u>	<u>\$ 1,295,550</u>
Total Accounts Payable			
Accounts Receivable:			
Taxpayers	\$ 1,089,721	\$ 3,082	\$ 1,092,803
Other Governments	547,503	261	547,764
Vendors	713,735	---	713,735
Customers	581,434	125,497	706,931
Other	61,347	440	61,787
	<u>2,993,740</u>	<u>129,280</u>	<u>3,123,020</u>
Accounts Receivable			
Amounts not expected to be collected	<u>(912,048)</u>	<u>(16)</u>	<u>(912,064)</u>
Accounts Receivable, net	<u>\$ 2,081,692</u>	<u>\$ 129,264</u>	<u>\$ 2,210,956</u>

Note 16 – Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2003, is shown below (in thousands of dollars):

Due From/To Other Funds, Component Units, and Primary Government	Assets	Liabilities
General Fund	\$ 42	\$ 22,708
Public Education	18,615	228
Conservation and Environmental Protection	648	1,487
Transportation and Law Enforcement	86	1,868
State Road Fund	2,928	12,536
Non-Major Governmental Funds	70	1,394
State Lottery	---	18,706
Petroleum Storage Tank Insurance	---	20
Non-Major Enterprise Funds	90	432
Internal Service Funds	15,497	547
Fiduciary Funds	30,169	18,892
Non-Major Component Units	<u>13,602</u>	<u>2,929</u>
	<u>\$ 81,747</u>	<u>\$ 81,747</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 16 – Interfund Assets and Liabilities (cont.)

Interfund assets and liabilities are recorded for payroll liabilities, group insurance, deferred compensation, retirement, and interfund sales and services. Interfund assets and liabilities are also recorded for transfers of money to Public Education from the State Lottery, to the State Road Fund from Fiduciary Funds, to Conservation and Environmental Protection from the Non-Major Component Units, and between the Non-Major Component Units and the State Road Fund.

<u>Advances To/From Other Funds, Component Units, and Primary Government</u>	<u>Assets</u>	<u>Liabilities</u>
General Fund	\$ ---	\$ 49,552
Conservation and Environmental Protection	4,193	---
State Road Fund	3,333	53,187
Fiduciary Funds	49,552	---
Non-Major Component Units	<u>60,877</u>	<u>15,216</u>
	<u>\$ 117,955</u>	<u>\$ 117,955</u>

Interfund advances, which are not expected to be repaid within one year, include \$53.2 million due from the State Road Fund to the Non-Major Component Units, \$49.6 million due from the General Fund to Unclaimed Property, a Fiduciary Fund, \$4.2 million due from the Non-Major Component Units to Conservation and Environmental Protection, \$7.7 million between the Non-Major Component Units, and \$3.3 million due to the State Road Fund from the Non-Major Component Units.

The loans from the Component Units were for the construction of additional state highways. Loans from the Unclaimed Property Fund were to provide for cash flow requirements.

During the consolidation process to the Government-Wide Combined Statement of Net Assets, interfund payables and receivables were eliminated as follows: Business-Type Activities in the amount of \$9,000, Governmental Activities in the amount of \$5,584,000 and Component Units in the amount of \$1,180,000.

Advances between Non-Major Component Units of \$7,690,000 have been eliminated on the Government-Wide Combined Statement of Net Assets.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 17 – Interfund Transfers

All transfers must be legally authorized by the legislature through transfer appropriations. Interfund transfers for the fiscal year ended June 30, 2003 are as follows (in thousands of dollars):

Transfers In:					
	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	State Road Fund
Transfers Out:					
General Fund	\$ ---	\$ 2,150,227	\$ 116	\$ 2,804	\$ ---
Public Education	36,239	---	---	---	---
Conservation and Environmental Protection	3,256	---	---	---	---
Transportation and Law Enforcement	3,123	---	---	---	187,893
State Road	28	---	---	---	---
Non-Major Governmental Funds	321,445	38,723	11,927	---	---
State Lottery	78	204,282	---	---	---
Petroleum Storage Tank	150	---	---	---	---
Non-Major Enterprise Funds	1,598	---	---	925	---
Internal Service Funds	2,249	---	---	---	---
Fiduciary Funds	39,432	---	---	1	---
Non-Major Component Units	10	---	---	---	---
Totals	\$ 407,608	\$ 2,393,232	\$ 12,043	\$ 3,730	\$ 187,893

Continues Below

	Non-Major Governmental	Petroleum Storage Tank	Non-Major Enterprise	Fiduciary	Totals
Transfers Out:					
General Fund	\$ 68,971	\$ 104	\$ 13	\$ 19,533	\$ 2,241,768
Public Education	---	---	---	125	36,364
Conservation and Environmental Protection	1,000	---	---	996	5,252
Transportation and Law Enforcement	11	---	---	6,505	197,532
State Road	---	---	---	---	28
Non-Major Governmental Funds	23,852	---	6,274	751	402,972
State Lottery	---	---	---	84	204,444
Petroleum Storage Tank	---	---	---	18	168
Non-Major Enterprise Funds	22	---	---	325	2,870
Internal Service Funds	---	---	---	293	2,542
Fiduciary Funds	1,752	---	---	---	41,185
Non-Major Component Units	---	---	---	---	10
Totals	\$ 95,608	\$ 104	\$ 6,287	\$ 28,630	\$ 3,135,135

Principle reasons for interfund transfers include:

- move general revenue funds to support elementary and secondary education
- move State Lottery revenue to support elementary and secondary education
- move general revenue funds to support social assistance programs reported in non-major governmental funds
- move funds related to the construction of capital assets.

During fiscal year 2003, certain funds were required to reimburse the central service agencies for overhead costs incurred on their behalf. The total amount reimbursed was \$13.5 million.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 18 – Restatements

During fiscal year 2003, additional information became available which required the restatement of fund equity amounts. The following table presents a summary of these restatements by fund categories (in thousands of dollars):

	June 30, 2002 Fund Balance/ Net Assets Previously Reported	Prior Period Adjustments	June 30, 2002 Fund Balance/ Net Assets Restated
GOVERNMENTAL FUNDS			
Major Governmental Funds			
General Fund	\$ 1,193,529	\$ (286,575)	\$ 906,954
Public Education	300,745	(2)	300,743
Conservation and Environmental Protection	757,964	(308)	757,656
Transportation and Law Enforcement	143,374	(3,641)	139,733
State Road Fund	444,583	---	444,583
Non-Major Governmental Funds			
Special Revenue	273,757	(316)	273,441
Debt Service	110,288	---	110,288
Capital Projects	127,014	---	127,014
Permanent	36,237	(7)	36,230
Total Governmental Funds	<u>\$ 3,387,491</u>	<u>\$ (290,849)</u>	<u>\$ 3,096,642</u>
PROPRIETARY FUNDS			
Major Enterprise Funds			
State Lottery	\$ 15,489	\$ ---	\$ 15,489
Unemployment Compensation	348,368	---	348,368
Petroleum Storage Tank Insurance	(51,222) *	(271)	(51,493)
Non-Major Proprietary Funds			
Enterprise	36,840 *	401	37,241
Internal Service	345,105	14,147	359,252
Total Proprietary Funds	<u>\$ 694,580</u>	<u>\$ 14,277</u>	<u>\$ 708,857</u>
FIDUCIARY FUNDS			
Pension Trust	\$ 6,406,099	\$ ---	\$ 6,406,099
Private-Purpose Trust	795,104	---	795,104
Total Fiduciary Funds	<u>\$ 7,201,203</u>	<u>\$ ---</u>	<u>\$ 7,201,203</u>
DISCRETELY PRESENTED COMPONENT UNITS			
Colleges and Universities	\$ 3,255,983	\$ 7,752	\$ 3,263,735
Non-Major Funds	124,521	(8,016)	116,505
Total Component Units	<u>\$ 3,380,504</u>	<u>\$ (264)</u>	<u>\$ 3,380,240</u>

* The Petroleum Storage Tank Insurance Fund is classified as a Major Enterprise Fund for the fiscal year ended June 30, 2003. It was a Non-Major Enterprise Fund for the fiscal year ended June 30, 2002 (see *Note 2*).

Purpose for restatements:

Governmental funds were restated as a result of additional information received relating to prior year revenue recognition for receivables and other revenue corrections, increases/decreases in accrued payroll, accounts payable, and inventory.

Proprietary funds were restated primarily to record adjustments made to fixed assets, accumulated depreciation, and depreciation expense.

College and University net assets were restated for a change in accounting method for Federal Perkins and Nursing Student Loan Programs, increases/decreases to accounts receivable and payable, and to increase fixed assets.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 18 – Restatements (cont.)

Non-major component units were restated for increases in bonds payable and interest payable.

On the Government-Wide Statement of Activities, Net Assets for Governmental Activities were restated by the amounts shown on the Restatement schedule for Governmental Funds and Internal Service Funds. In addition, Long-Term Claims/Judgments Liabilities for Governmental Activities increased due to the inclusion of the additional liability for the State's Second Injury Fund. Immaterial restatements were also made to other long-term liability accounts and other government-wide reconciling items.

Net assets for Business-Type Activities on the Government-Wide Statement of Activities were restated by the sum of all amounts shown on the Restatement schedule for Enterprise Funds. As mentioned earlier, these restatements were primarily for fixed assets, accumulated depreciation, and depreciation expense.

Note 19 – Fund Deficit

The following funds had deficit balances:

Enterprise Fund – Petroleum Storage Tank – At June 30, 2003, this fund had a net asset deficit of \$75,052,000. The deficit was \$51,222,000 at June 30, 2002. The deficit occurred when transport load fees collected were not sufficient to cover the estimated claims liability for clean up of petroleum storage tank leaks. This liability amount is the cumulative result of numerous years of petroleum storage tank leaks. Per Section 319.129, RSMo, this fund will be closed on December 31, 2010, or upon revocation of federal regulation 40 CFR, whichever occurs first, unless extended by action of the general assembly. Various alternatives are being considered to pay off the claims liability amount of this fund. Per Section 319.131, RSMo, the liability of the petroleum storage tank fund is not the liability of the State. Upon dissolution of this fund, the liability would be liquidated.

Internal Service Fund – Conservation Employees' Insurance Plan – At June 30, 2003, this fund had a net asset deficit of \$14,000. This deficit was \$1,012,000 at June 30, 2002. The significant improvement in fund net assets was caused by a one-time transfer of \$1,598,000. The deficit occurred when revenue from insurance premiums was not sufficient to cover the cost of claims. In fiscal year 2002, there were a few exceptionally large claims processed which caused the fund deficit. The Board will continue to monitor the deficit and may increase contribution rates, if required.

Internal Service Fund – Transportation Self-Insurance Plan – At June 30, 2003, this fund had a net assets deficit of \$5,282,000. This deficit was \$12,761,000 at June 30, 2002. The deficit occurred when revenue from insurance premiums were not sufficient to cover the cost of claims. The self-insurance plan is subject to annual actuarial review which is done on a calendar year basis. An actuarial study was completed in May 2003. The fiscal year 2004 appropriations were increased by 25% based on the actuarial study. The increase in appropriations should eliminate the deficit over time.

Internal Service Fund – Highway and Transportation Employees' and Highway Patrol Insurance Plan – At June 30, 2003, this fund had a net assets deficit of \$556,000. This deficit was \$5,675,000 at June 30, 2002. On January 1, 2002, the contribution rates increased resulting in a fiscal year 2002 increase to net assets of \$1,775,000. In January 2003, MoDOT and the Medical Board increased the State contribution rates resulting in a fiscal year 2003 increase of net assets of \$5,119,000. MoDOT and the Medical Board will continue to monitor ways to recover this deficit. This may include future increases to State and member contribution rates.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 19 – Fund Deficit (cont.)

Component Unit – Missouri Highway 63 Transportation Corporation – At June 30, 2003, the transportation corporation had a net asset deficit of \$94,000. This deficit occurred because the corporation was recently established and incurred one-time start up expenses. According to the Missouri Highway 63 Transportation Corporation's audited financial statements, the City of Kirksville has agreed to fund any corporation net asset deficits.

Note 20 – Related Party Transactions

The Missouri State Public Employees' Deferred Compensation Plan is administered by the Public Employees Benefit Services Corporation of Missouri (PEBSO) under a contract for a term ending June 1, 2004. PEBSO is a wholly-owned subsidiary of Nationwide Corporation of Columbus, Ohio. Nationwide Life Insurance Company, one of the guaranteed fixed annuity and variable annuity underwriters for the Plan, is also a subsidiary of Nationwide Corporation. At December 31, 2002, total investments of the Plan were \$736,708,576 and investments in Nationwide Life Insurance Company were \$627,190,736.

The Highway and Transportation Employees' and Highway Patrol Retirement Plan reimburses the Missouri Highways and Transportation Commission for accounting, management, legal, and data processing services. The total reimbursement for fiscal year 2003 was \$262,723.

Note 21 – Commitments

Contracts

The Department of Conservation had contracts outstanding of \$553,100 for land acquisition and \$2,588,533 for construction contracts at June 30, 2003. These contracts are funded through the Special Revenue Funds from specific sales tax, fees and permits.

The Department of Transportation had long-term contracts of \$981,414,923 outstanding at June 30, 2003. These contracts are paid from Capital Projects Funds with approximately 77.39% federal reimbursement expected.

The Office of Administration, Division of Design and Construction, had construction contracts outstanding at June 30, 2003, of \$89,840,814. Approximately 17% will be paid from the General Fund, 1% from the Special Revenue Funds, 5% from the Capital Projects Funds, 2% from the Enterprise Funds and 75% from the Internal Service Funds.

On March 10, 1988, the State of Missouri entered into a contract with the United States Army Corps of Engineers confirming an assurance agreement of April 8, 1965. The State obtained rights to a portion of the water supply storage from the Clarence Cannon Dam and Mark Twain Lake Project. The State agreed to pay up to \$10.8 million plus interest for the investment costs allocated to the water supply storage, the amount of such payments to be determined by the portion of the water storage space put in use by the State for that purpose. The contract provides a ten year interest free period running from 1984 to 1994. In fiscal year 1995, the State began making interest payments. The interest payment amount for fiscal year 2003 was \$424,647. Payment of principal and interest must be completed by the end of a 50 year period beginning from the date of the contract (March 1988).

Note 22 – Contingencies

The State is exposed to various risks of loss related to tort liability, general liability, motor vehicle liability, contractor liability, injuries to employees and desegregation. The State assumes its own liability for risks except for the purchase of surety bond, aircraft and boiler coverage.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 22 – Contingencies (cont.)

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported including the effects of specific, incremental claim adjustment expenditures/expenses, salvage, and subrogation, and other allocated or unallocated claim adjustment expenditures/expenses. Liabilities are reported as a reconciling item to the Government-Wide Statement of Net Assets. The current portion of the liability (excluding the Second Injury Fund) will be presented in the General Fund. Expenditures are recognized as payments are made.

At June 30, 2003, the amount of these liabilities was \$112 million. Changes in the reported liability since June 30, 2002, resulted from the following:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2002-2003	\$ 226,293,410	\$ (84,500,674)	\$ (30,008,289)	\$ 111,784,447
2001-2002 *	33,197,671	223,770,916	(30,675,177)	226,293,410
2000-2001 *	65,069,624	(14,721,564)	(17,150,389)	33,197,671

*Restated to exclude Second Injury Fund.

RSMo 287.220.6 requires that an actuarial study of the Second Injury Fund be made every three years to determine the solvency of the Fund. Figures presented below for current year claims and changes in estimates are based on the most recent actuarial study; the next actuarial study is due to be completed by July 1, 2004. At June 30, 2003, the amount of liabilities for the Second Injury Fund was \$201 million. Changes in the reported liability since June 30, 2002, resulted from the following:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2002-2003	\$ 242,596,242	\$ 8,740,950	\$ (50,209,437)	\$ 201,127,755
2001-2002	280,087,260	7,265,256	(44,756,274)	242,596,242
2000-2001	310,892,156	1,513,566	(32,318,462)	280,087,260

The State receives federal grants which are subject to review and audit by federal grantor agencies. This could result in requests for reimbursements to the grantor agency for expenditures which are disallowed under grant terms. The State believes that such disallowances, if any, would be immaterial.

Loan Guarantees:

The State appropriates money to the Agricultural and Small Business Development Authority for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Authority makes the payment for default from State appropriations. The Authority administers the Single-Purpose Animal Facilities Loan Program and the Value Added Loan Guarantee Program, which provides a 25% first-loss guarantee on loans up to \$250,000. The total of loans outstanding at June 30, 2003, for which the Authority has guaranteed payment is \$4,247,821 and \$925,969, respectively. There were no payments by the Authority for loan defaults in fiscal year 2003.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 22 – Contingencies (cont.)

Medicaid Lawsuits:

In October of 2001, the University of Kansas Hospital Authority filed a lawsuit against the Department of Social Services/Division of Medical Services in the Circuit Court of Cole County, Missouri, challenging the reimbursement rate paid by Missouri to out of state hospitals on behalf of Missouri Medicaid beneficiaries. This action is being contested in Court and the fiscal impact is under review. In the event that plaintiff prevails in the action, the Division of Medical Services estimates that the relief KU Hospital seeks amounts to approximately \$3,710,758 for fiscal year 2002 alone. If the plaintiff prevails in their claim to collect damages for each year since 1991 the total liability of the Division of Medical Services may reach \$30,000,000, excluding interest. This is considered unlikely. The risk of loss would be shared with the federal government, approximately 40% state and 60% federal. Previous estimates had placed the risk of loss at an amount between \$11,000,000 and \$18,000,000 if the plaintiff were to prevail on the claim. However, a settlement of \$5,897,265 was reached in the matter. For additional information also see *Note 25 – Subsequent Events*.

Cheri White v. Dana Katherine Martin, et al (Case No. 02-4154-CV-C-NKL) was filed in the United States District Court for the Western District of Missouri, Central Division in July 2002. The plaintiffs requested that the court order that transitional Medicaid assistance be provided to a class of Missourians whose Medicaid benefits were terminated. In October 2002, the district court entered a preliminary injunction directing the State to continue the benefits. The trial court entered a permanent injunction on March 24, 2003. The Department of Social Services' TMA obligations under the injunction expire on June 30, 2004. The decision was not appealed. Plaintiff was awarded \$180,000 in attorney fees. A decision will be made about whether to appeal the attorney fee award. The State cost in fiscal year 2003 of providing these benefits was about \$9 million, and is expected to be less than \$6 million in fiscal year 2004.

Foster Care Claims:

In a letter dated December 4, 2001, the United States Department of Health and Human Services sent a notice disallowing payment of the federal share of certain Title IV-E foster care claims reported since the quarter ending March 31, 2001. This issue is being disputed and is under appeal; however, Health and Human Services continues to make disallowances and withhold monies from the grant. The total cumulative disallowance as of June 30, 2003, is \$13,172,236 with a balance remaining that has not been recovered by Health and Human Services of \$2,401,541.

Sales Tax Lawsuits:

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859). The Missouri Supreme Court held that Southwestern Bell Telephone Company was entitled to a refund of sales and use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. The case was remanded to the Administrative Hearing Commission for further determination as to which items are used in manufacturing the digital phone service product. Refunds to Southwestern Bell and other related companies could adversely affect the State's General Revenue Fund by \$58.1 million.

The Missouri Supreme Court has ruled that hotel guests in effect purchase the electricity used in their room during their stay at the hotel and, therefore, applicable charges are exempt from sales tax. This pertains to water, gas, and other items used in hotel rooms as well. Requests by hotels/motels for refunds could adversely affect the State's General Revenue Fund by \$3.1 million.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 22 – Contingencies (cont.)

The State has brought an appeal before the Missouri Supreme Court of a lower court's decision to classify caskets and vaults as fixtures of a funeral home until being sold to a customer. This would make the funeral home's purchase price, but not the sales price, taxable to the funeral home. Requests by funeral homes for refunds could adversely affect the State's General Revenue Fund by \$1.4 million.

The Missouri Supreme Court has ruled that a business that operates a cafeteria solely for the benefit of its employees is not serving food to the general public and is exempt from sales tax on food items sold to the business' employees. Requests by businesses for refunds could adversely affect the State's General Revenue Fund by \$1 million.

Note 23 – Joint Ventures

The Regional Convention and Sports Complex Authority was created by State law for the purpose of financing, constructing, operating and maintaining a multipurpose convention and sports facility to be located in the City of St. Louis. The Authority operates under a Board of Commissioners of whom five are appointed by the Governor of the State, three by the Mayor of the City of St. Louis, and three by the County Executive of St. Louis County. The Authority is granted all rights and powers necessary to plan, finance, construct, equip and maintain the facility.

The Authority is considered a joint venture of the State, City and County because it constitutes a contractual agreement for public benefit in which the State, City and County retain an ongoing financial responsibility for the Convention and Sports Facility Project Bonds. In August 1991, the Authority issued \$258,670,000 of Convention and Sports Facility Project Bonds. The bonds were sponsored in the amount of \$132,910,000 by the State (Series A), \$65,685,000 by the County (Series B) and \$60,075,000 by the City (Series C). In December 1993, the Authority issued \$181,885,000 in Convention and Sports Facility Project and Refunding Bonds to advance refund \$101,410,000 and \$50,275,000 of the outstanding 1991 Series A and Series B bonds, respectively, and for additional construction costs. The bonds were sponsored in the amount of \$121,705,000 by the State (Series A) and \$60,180,000 by the County (Series B). In February 1997, the Authority issued \$61,285,000 in Series C Refunding bonds to advance refund \$47,155,000 of the outstanding 1991 Series C bonds.

Pursuant to a financing agreement entered into in August 1991, the Authority leased the facility to the sponsors who subleased the facility back to the Authority. The payments made by the State, City and County under the financing agreement are sufficient to pay the principal and interest on the bonds. See *Note 13* for more information on the 1991 and 1993 Series A Bonds sponsored by the State.

Summary financial information for the Authority as of, and for the fiscal year ended December 31, 2002, is presented below (in thousands of dollars):

Total Assets	\$ 315,513
Total Liabilities	\$ 219,123
Total Equity	96,390
Total Liabilities and Equity	<u>\$ 315,513</u>
Total Revenues	\$ 27,116
Total Expenses	25,644
Net Increase in Retained Earnings	<u>\$ 1,472</u>

Copies of the Authority's financial statements can be requested from:

St. Louis Regional Convention
and Sports Complex Authority
901 North Broadway
St. Louis, Missouri 63101

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

Note 24 – Related Organizations

The State is responsible for appointing all or part of the members of the boards of other organizations, but the State's accountability for these organizations does not extend beyond making the appointments.

The following organizations are considered to be related organizations of the State of Missouri:

Health and Educational Facilities Authority – The Authority was created by State law and is authorized to issue revenue bonds to finance health and educational facilities for institutions within the State. The Authority also assists institutions in borrowing funds at the lowest possible cost in order to provide quality medical and educational services to State residents. These bonds do not constitute a debt or liability of the Authority or the State. Its governing body consists of seven members appointed by the Governor with the advice and consent of the Senate. The Authority's fiscal year ends December 31. Copies of the Authority's financial statements can be requested from:

Missouri Health and Educational
Facilities Authority
15450 South Outer Forty Road, Suite 230
Chesterfield, Missouri 63017

Missouri Higher Education Loan Authority – The Authority was created by State law and is authorized to issue debt to provide a secondary market for loans made under the Federal Family Education Loan Program provided for by the Higher Education Act. Its governing body consists of seven members, five of whom shall be appointed by the Governor with the advice and consent of the Senate, each of whom shall be a resident of the State; and a member of the Coordinating Board of Higher Education; and the Commissioner of Higher Education. Copies of the Authority's financial statements can be requested from:

Missouri Higher Education Loan Authority
633 Spirit Drive
Chesterfield, Missouri 63005

Housing Development Commission – The Commission was created by State law and is authorized to make or purchase mortgage loans and to insure mortgage loans, the funds of which are used to develop new or rehabilitate low and moderate income housing. The Commission is also authorized to issue bonds and notes for making or purchasing such loans. Bonds and notes issued by the Commission are not a debt of the State. The Commission has entered into a contract with the Department of Economic Development whereby the Department pays the Commission's staff salaries and related benefits from cash advanced monthly by the Commission. Its governing body is made up of the Governor, the Lieutenant Governor, the State Treasurer, the Attorney General and six members appointed by the Governor with the advice and consent of the Senate. If for any reason the Commission ceases to exist, its rights and properties shall pass to and be vested in the State, subject to the rights of lienholders and other creditors. Copies of the Commission's financial statements can be requested from:

Missouri Housing Development Commission
3435 Broadway
Kansas City, Missouri 64111

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
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Note 24 – Related Organizations (cont.)

Missouri Technology Corporation – The Corporation was created by State law and contributes to the strengthening of the State's economy through the development of science and technology, promotes the modernization of Missouri businesses by supporting the transfer of science, technology and quality improvement methods to the workplace and enhances the productivity and modernization of Missouri businesses by providing leadership in the establishment of methods of technology application, technology commercialization and technology development. Its governing body consists of eleven members appointed by the Governor, the director of the Department of Economic Development, the president of the University of Missouri, a member of the Senate and a member of the House of Representatives. Copies of the Corporation's financial statements can be requested from:

Department of Economic Development
Division of Administration
P.O. Box 1157
Jefferson City, Missouri 65102

Missouri Public Entity Risk Management Fund – The Fund was created by State law and is authorized to provide liability protection to participating public entities, their officials and employees. The Fund reimburses the State of Missouri for all administrative costs. Its governing body consists of six members; the Attorney General, the Commissioner of Administration and four members appointed by the Governor with the advice and consent of the Senate. Copies of the Fund's financial statements can be requested from:

Missouri Public Entity Risk
Management Fund
P.O. Box 105080
2010 Williams Street
Jefferson City, Missouri 65110-5080

Public School Retirement System – The System was created by State law and provides retirement benefits to employees of public school districts in the State, with the exception of the St. Louis and Kansas City districts. The State participates in the System as an employer of certified teachers who are members. However, the major financial support is from the public school districts. Its governing body consists of seven members; four elected by the System's members, and three members appointed by the Governor with the advice and consent of the Senate. Copies of the System's financial statements can be requested from:

Public School Retirement System
of Missouri
P.O. Box 268
3210 West Truman Boulevard
Jefferson City, Missouri 65109

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
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Note 24 – Related Organizations (cont.)

State Environmental Improvement and Energy Resources Authority – The Authority, created by State law, is an independent, self-supporting, quasi-governmental agency, governed by a five member Board appointed by the Governor with the advice and consent of the Senate. The Authority is administratively placed in the Department of Natural Resources. The Authority is authorized to finance, acquire, construct and equip projects for the purpose of reducing, preventing or controlling pollution and to provide for the development of energy resources of the State. The usual method of financing is through the issuance of tax-exempt revenue bonds and notes. In March 1992, pursuant to Senate Bill #530, Section 260.335, RSMo, the Authority entered into an interagency agreement with the Department of Natural Resources (DNR) and the Department of Economic Development (DED) to promote markets for recycled materials. As required in that legislation, the program has been provided annual funding of \$1,000,000 upon appropriation by the Missouri Legislature, from the Solid Waste Management Fund, through fiscal year 1997. In fiscal year 1998, the funding changed to 10% of the Fund, not to exceed \$1,000,000. The Authority, in cooperation with the Missouri Clean Water Commission and other agencies, established and operates the State Revolving Fund (SRF), which provides financing to communities and districts for construction of clean water and drinking water projects. The Authority is a provider of technical research for the State. Partnerships have been created with entities, both public and private, to promote and educate Missouri's citizens on a variety of environmental and energy related topics. The Authority's employees are covered under the State retirement system with all contributions being made by the Authority. Upon termination or dissolution of the Authority, all rights and properties shall pass to and be vested in the State, subject to the rights of noteholders, bondholders and other creditors. Copies of the Authority's financial statements can be requested from:

State Environmental Improvement and
Energy Resources Authority
325 Jefferson Street, Suite 200
Jefferson City, Missouri 65101

Jackson County Sports Complex Authority – The Authority was created by State law and is responsible for the construction, operation and financing of the Jackson County Sports Complex. The funds and related accounts are maintained by fiscal agents who administer all investment transactions and act as paying agents for bond transactions. Its governing body consists of five members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements can be requested from:

Jackson County Sports Complex Authority
8501 Stadium Drive
Kansas City, Missouri 64129-1698

Kansas City Regional Sports Complex Authority – The Authority was created by State law and is responsible for the study and review of all current major sports leagues, clubs, or franchises operating in Kansas City and analyzing the possibilities of future growth. Its governing body consists of the director of the Department of Economic Development, as well as seven members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements can be requested from:

City of Kansas
Finance Department
1st Floor, City Hall
414 East 12th Street
Kansas City, Missouri 64106-2793

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
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Note 24 – Related Organizations (cont.)

St. Charles County Convention and Sports Facility Authority – The Authority was created by State law and is responsible for planning, constructing, and managing convention and sports facilities in the St. Charles area. Its governing body consists of five members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements can be requested from:

St. Charles County Convention and
Sports Facility Authority
P.O. Box 858
St. Charles, Missouri 63302

Springfield Convention Center Authority – The Authority was created by State law and is responsible for the construction, operation and financing of the Ozark Empire Fairgrounds Project. The funds and related accounts are maintained by fiscal agents who administer all investment transactions and act as paying agents for land transactions. Its governing body consists of five members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements can be requested from:

City of Springfield
Finance Department
P.O. Box 8368
840 Boonville Avenue
Springfield, Missouri 65801-8368

Cotton Growers Organization, Inc. – The organization was created by State law and is designated as the official organization for boll weevil eradication in Missouri. The organization operates under the guidance of a ten member Board of Directors with oversight from the U.S. Department of Agriculture and Missouri Department of Agriculture. Copies of the Organization's financial statements can be requested from:

Certified Cotton Growers Association
P.O. Box 160
Portageville, Missouri 63873

KCT Intermodal Transportation Corporation (KCT-ITC) – The Corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. KCT-ITC is authorized to issue revenue bonds for the purpose of paying all or any part of the cost of constructing a railroad bridge to effectuate a grade separation of two at-grade rail crossings in the Blue Valley Industrial District in Kansas City, Missouri. The KCT-ITC's obligations are financed by a cost-sharing agreement of the member railroads of Kansas City Terminal. The Missouri Highways and Transportation Commission has no control over toll rates or corporation management and does not approve any debt of the KCT-ITC. Therefore, the Missouri Highways and Transportation Commission is not considered financially accountable and information for the KCT-ITC is not included within the accompanying combined financial statements. The governing body consists of a board of directors appointed by the Missouri Highways and Transportation Commission. Copies of the Corporation's financial statements can be requested from:

Missouri Department of Transportation
Controller's Office
1445 Christy Drive
Jefferson City, Missouri 65109

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
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Note 24 – Related Organizations (cont.)

Lake of the Ozarks Community Bridge Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. It is authorized to issue revenue bonds for the purpose of paying all or any part of the cost for acquisition and construction of a toll bridge over the Lake of the Ozarks in Camden County. Its governing body consists of a seven member board of directors each of whom is appointed by the Missouri Highways and Transportation Commission. When the purpose for which the Corporation was formed have been complied with and all obligations of the Corporation have been paid, the board shall, with the approval of the Commission, dissolve the Corporation. Upon dissolution, any assets of the Corporation will be liquidated and deposited in the State Road Fund and will become the property of the Commission. The Corporation's fiscal year ends April 30. Copies of the Corporation's financial statements can be requested from:

Missouri Department of Transportation
Controller's Office
1445 Christy Drive
Jefferson City, Missouri 65109

Highway 19 Missouri River Bridge Transportation Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. It is authorized to establish, promote, acquire, develop, construct, own, operate, maintain rights-of-way, and highway projects and facilities which the Commission either owns or in which the Commission has a beneficial interest, desirable to the provision of public highways, which are approved by the Commission, the County Commissions of the counties of Gasconade and Montgomery, Missouri, and the Board of Alderman of the City of Hermann, Missouri. Its governing body consists of any number of persons, not less than six. Upon dissolution, any assets of the Corporation will be liquidated and deposited in the State Road Fund and will become the property of the Commission. Copies of the Corporation's financial statements can be requested from:

Highway 19 Missouri River Bridge
Transportation Corporation
c/o Jon Held
1110 Stone Hill Highway
Hermann, Missouri 65041

Westside Intermodal Transportation Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. It is authorized to issue revenue bonds for the purpose of paying all or any part of the cost of constructing an elevated rail structure to allow for the connecting of the Kansas City Terminal Railway (KTCR) Company's main line to the Union Pacific Railroad Company's yards and main lines and to effectuate a grade separation of certain main line rail tracks near Burlington Northern Santa Fe Argentine Yard and KTCR's main lines. Its governing body consists of any number of persons, not less than six. Upon dissolution, any assets of the Corporation will be liquidated and deposited in the State Road Fund and will become the property of the Commission. Copies of the Corporation's financial statements can be requested from:

Westside Intermodal Transportation Corporation
c/o Kansas City Terminal Railway Company
4501 Kansas Avenue
Kansas City, Kansas 66106

STATE OF MISSOURI
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Note 25 – Subsequent Events

General Obligation Bonds – New Issue:

On October 7, 2003, the State of Missouri, Board of Fund Commissioners issued \$74,655,000 of State Water Pollution Control General Obligation Refunding Bonds, Series A 2003; and \$75,650,000 of Third State Building General Obligation Refunding Bonds, Series A 2003. The bond proceeds will be used to refund \$155,920,000 aggregate principal amount of outstanding bonds. The interest rates range from 3.25% to 6% and have a final maturity date of August 1, 2016.

Other Bonds – New Issue:

On August 1, 2003, the St. Louis Regional Convention and Sports Complex Authority issued \$110,235,000 of Convention and Sports Facility Project and Refunding Bonds, Series A-1 2003; and \$5,795,000 of Convention and Sports Facility Project and Refunding Bonds, Series A-2 2003. The bond proceeds will be used to refund \$116,015,000 aggregate principal amount of outstanding bonds. The interest rates for the Series A-1 2003 Bonds range from 2.5% to 5.38% and have a final maturity date of August 15, 2021. The interest rates for the Series A-2 2003 Bonds range from 1.42% to 2.13% and have a maturity date of August 15, 2005.

On November 12, 2003, the Missouri Department of Transportation issued \$254,000,000 of State Road Bonds, Series A 2003. The bonds have interest rates ranging from 2% to 5% and have a final maturity of February 1, 2023. The bond proceeds will be used for highway and transportation projects as stated in House Bill 1742.

Agricultural and Small Business Development Authority:

Between July 1 and September 5, 2003, the Authority issued Certificates of Guarantee in the amount of \$135,023 guaranteeing 25% of the \$540,092 loans issued.

Petroleum Storage Tank Insurance Fund (PSTIF):

On July 23, 2003, the Petroleum Storage Tank Insurance Board released seven remedial claims, which increased the claims payable by approximately \$430,000. These remedial claims had been filed since May 1, 2003. Remedial claims are those claims filed by tank owners and operators who do not have a contract for insurance with the PSTIF, but for which the PSTIF may extend coverage.

Southeast Missouri State University:

On October 1, 2003, the Missouri Development Finance Board issued \$9,975,000 Educational Facilities Revenue Bonds (Southeast Missouri State University River Campus Project) Series 2003A and \$26,360,000 Variable Rate Demand Educational Facilities Revenue Bonds (Southeast Missouri State University River Campus Project) Series 2003B. The bond proceeds will be used for the planning, design, and construction of a School of Visual and Performing Arts at the River Campus.

Medicaid Lawsuits:

On October 28, 2003, the Department of Social Services, Division of Medical Services, agreed to settle the lawsuit filed against it by the University of Kansas Hospital Authority. The amount of the settlement was \$5,897,265.